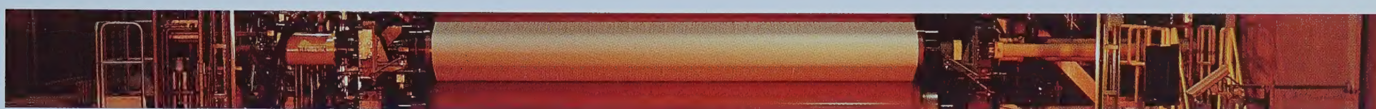
COMMITMENT

ACTION



RESULTS

ANNUAL REPORT 2000

ALLIANCE
Forest Products Inc.


BAIE-TRINITÉ
PRICE, LAC-DES-AIGL
RIVIÈRE-BLEUE, DÉG
BAKER BROOK
DOLBEAU-MISTASSIN
GIRARDVILLE
DONNACONA
SAINT-FÉLICIEN
COOSA PINES
WESTOVER

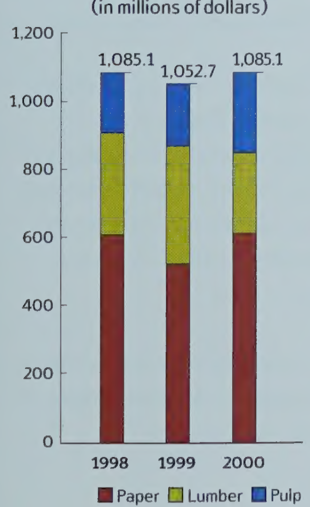
HIGHLIGHTS

Alliance Forest Products Inc. is an integrated forest products company that specializes in the production and marketing of lumber and related products, pulp, newsprint, and uncoated groundwood papers. Dedicated, flexible and experienced, our team is committed to manufacturing high-quality, value-added products at competitive prices. The quality of our products is matched only by the excellence of our service—we listen to our customers' needs, we work to improve their competitiveness and we deliver what they want, right on schedule.

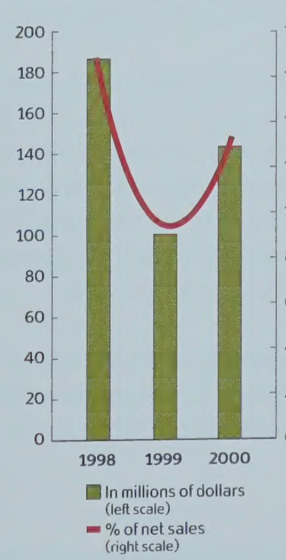
(in millions of CAN$, except for amounts per share and statistics)

	2000	1999	1998
Net sales	1,085.1	1,052.7	1,085.1
Operating income	98.5	11.5	95.7
Net earnings (loss)	21.3	(16.2)	25.9
Net earnings (loss) before unusual items	53.1	(16.2)	25.9
Earnings before interest, taxes, depreciation and amortization (EBITDA)	142.8	100.9	183.0
Total assets	1,627.9	1,734.4	1,771.8
Per common share			
Net earnings (loss)	0.68	(0.44)	0.68
Net earnings (loss) before unusual items	1.70	(0.44)	0.68
Book value as at December 31	26.57	25.35	25.09
Share price as at December 31	14.60	17.05	14.60
Return on shareholders' equity (%)	2.65	(1.81)	2.70
Number of shares issued and outstanding at December 31 (in millions)	30.2	35.2	38.2

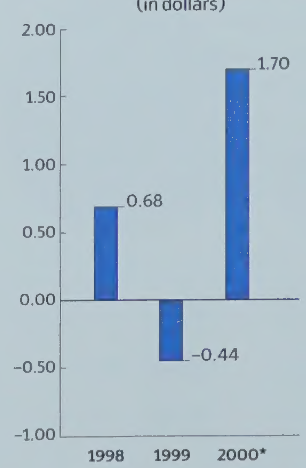
Net sales by business sector
(in millions of dollars)



Earnings before interest, taxes, depreciation and amortization

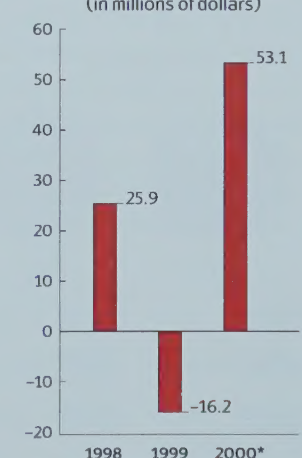


Net earnings per share before unusual items
(in dollars)



* Net earnings per share after unusual items were $0.68

Net earnings before unusual items
(in millions of dollars)



* Net earnings after unusual items were $21.3 million

MESSAGE
to shareholders

Asset optimization, increased profitability and enhanced product offerings

The year 2000 was a turning point both strategically and financially for the Company. In addition to a turnaround in its financial performance, the Company completed or initiated a number of major projects.

Clearly, the most outstanding achievement was the October start-up of the new paper machine at Donnacona. This project, which was launched in 1998, was completed within the initial $275-million budget.

The cornerstone of the investment is the leading-edge technology used in the manufacture of supercalendered papers, which complement the supercalendered grades produced at the Dolbeau paper mill since 1997. Donnacona's No. 4 and Dolbeau's No. 5 paper machines together produce 288,000 metric tons (tonnes) of supercalendered papers, making the Company the third largest producer of those grades in North America.

Consistent with our strategy, we have successfully refocussed the production facilities at each of our paper mills to optimize our assets and available fibre. We have thus concentrated newsprint production at the Coosa Pines mill and specialty papers at our Canadian facilities. In an effort to provide our customers with seamless product quality and service, the changes at our manufacturing facilities were undertaken in close cooperation with the sales, manufacturing and customer support teams.

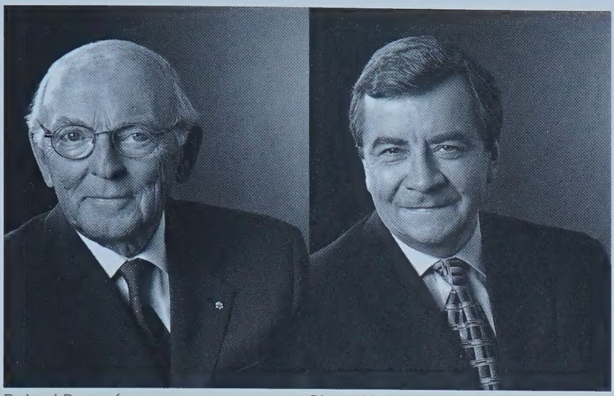
With the completion of the modernization of the Dolbeau and Donnacona mills, we initiated a US$113-million investment project at Coosa Pines to substantially reduce newsprint production costs. An ultramodern recycled pulp plant with a daily capacity of 1,500 short tons will be built by late 2001. Once the new facility comes on line, the recycled fibre content of newsprint will increase from 40% to 100%, thereby allowing us to meet our customers' most stringent requirements. Coosa Pines' virgin fibre requirements will then drop by about 38%, the remaining virgin fibre being used to produce higher grade fluff pulp.

Assets sold to support strategic development

Owing to the impact of these major strategic changes on the Company's fibre requirements, we sold 367,000 acres of timberlands to John Hancock Financial Services in the first quarter of 2000, for a total of US$303 million, or about CAN$440 million. The terms of the sale included provisions for a long-term fibre supply agreement. For similar reasons, the Company also sold its I-joist plant to Boise Cascade Corporation for a total of $17 million, plus certain elements of working capital. Under a long-term supply agreement, the Company will continue to ship short wood from its sawmills to the new owner of the I-joist plant.

Some $100 million of the proceeds from these transactions were used to buy back about 5.1 million shares of the Company. The balance was used to reduce the Company's long-term debt and accelerate the US$170-million investment program to improve Coosa Pines' competitive position, the first stage of which is to build the new recycled pulp plant for newsprint production.

In April, the Company renewed its Shareholder Rights Plan, which is designed to protect the interests of shareholders in relation to any take-over offer for the Company.



Robert Després Pierre Monahan

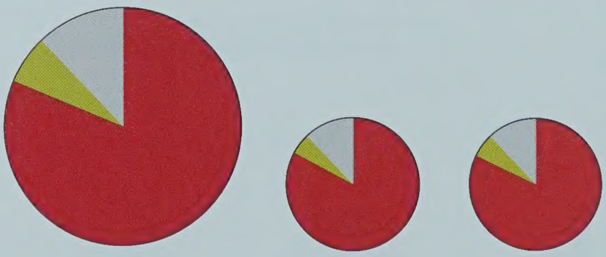
A productive year

The Company's considerable capital investments, modernization activities, disposal of assets and continued efforts to cut costs and increase efficiency contributed to a marked improvement in its financial position in fiscal 2000 during a fairly positive business climate.

Company sales increased to $1,085.1 million in 2000. Operating income jumped from $11.5 million in 1999 to a spectacular $98.5 million in 2000. The Company posted net earnings, before unusual items, of $53.1 million, or $1.70 per common share. Owing to a non-recurring expense of $62.8 million for the eventual disposal of pulp-making assets at Coosa Pines, net earnings, after unusual items, stood at $21.3 million or $0.68 per common share.

The market pulp segment remained strong in 2000, following the recovery that began in mid-1999. The continuing decline in inventory levels in the first half gradually pushed up selling prices during the year. The strong U.S. economy translated into an increase in advertising expenditures and a higher demand for the Company's paper products. The result was a marked improvement in the markets supplied by the Company's portfolio of products.

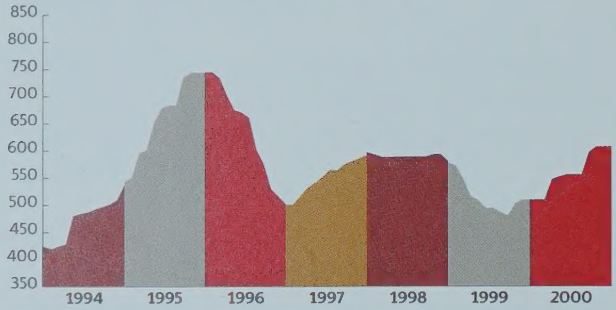
Sales by market



	2000	1999	1998
Canada	12.1%	12.2%	12.1%
United States	81.3%	82.8%	82.1%
Overseas	6.6%	5.0%	5.8%

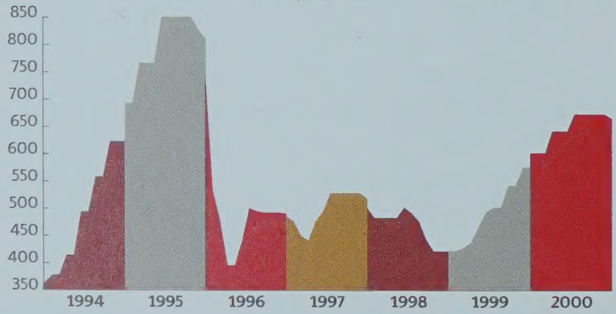
Asset optimization, increased profitability and enhanced product offerings.

Newsprint prices (in US$/tonne)
Standard newsprint (48.8 g)



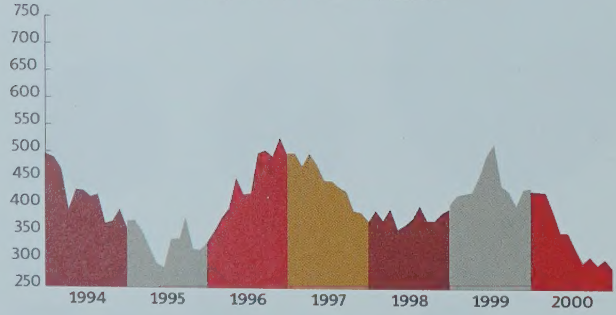
Source: Paper Trader (RISI)

Pulp prices (in US$/tonne)
Southern hardwood kraft pulp, delivered to United States



Source: World Pulp Monthly (RISI)

Lumber prices (in US$/1000 fbm)
2 x 4, standard & better, kiln dried



Source: YardStick (RISI)

The lumber sector continued to worsen in 2000, with a 21.3% annualized decline in selling prices. The gradual upturn in U.S. interest rates triggered a slowdown in construction and renovation expenditures. At the same time, lumber supply rose, owing to the increase in South American and European imports, and the technological developments that enhanced fibre recovery. Meanwhile, demand in Asia remained below its historical average of the past decade because of concerns over the economy. These circumstances led the Company, like many of its competitors, to temporarily shut down four of its sawmills at year-end.

Outlook and challenges for 2001

To enhance profitability, in the second half of the year, we embarked on a three-year profitability improvement program (PIP) at all our locations. The program is intended to increase consolidated earnings before interest, taxes, depreciation and amortization per dollar of net sales by five percentage points by late 2002, excluding variations caused by exchange rate fluctuations and product prices. The profitability improvement plans submitted by the Company's locations have been integrated into the 2001 operating budget. All foreseen improvements will occur without the injection of additional capital.

Despite some fear about a slowdown in the U.S. economy, the Company's management remains optimistic about market conditions in 2001 for the majority of its products, except for lumber. Management applauds the U.S. Federal Reserve's intentions to bring down interest rates so as to sustain moderate growth. Furthermore, global economic growth, the increase in manpower utilization rates, and the gradual decrease of income taxes in most industrialized countries should push up demand for most forest products, other than lumber. In the lumber sector, projected construction and renovation expenditures do not point to any major upturn in demand and selling prices in the short term. Supply in the pulp and paper sector is expected to tighten in 2001, as capacity is unlikely to expand. In addition, the main producers are expected to take downtime in order to keep inventories at an appropriate level.

The marked drop in lumber prices more than justifies the elimination of the agreement on export quotas for Canadian lumber to the United States, which ends in the spring 2001. We believe that such restrictions are unfair trade barriers, since some competing countries are allowed to export to the U.S. market without any restraints. In collaboration with other Canadian producers, the Canadian and Quebec governments, and industry associations, the Company has strengthened its representations to government authorities expressing its desire to see free trade in lumber re-established in 2001 between the United States and Canada.

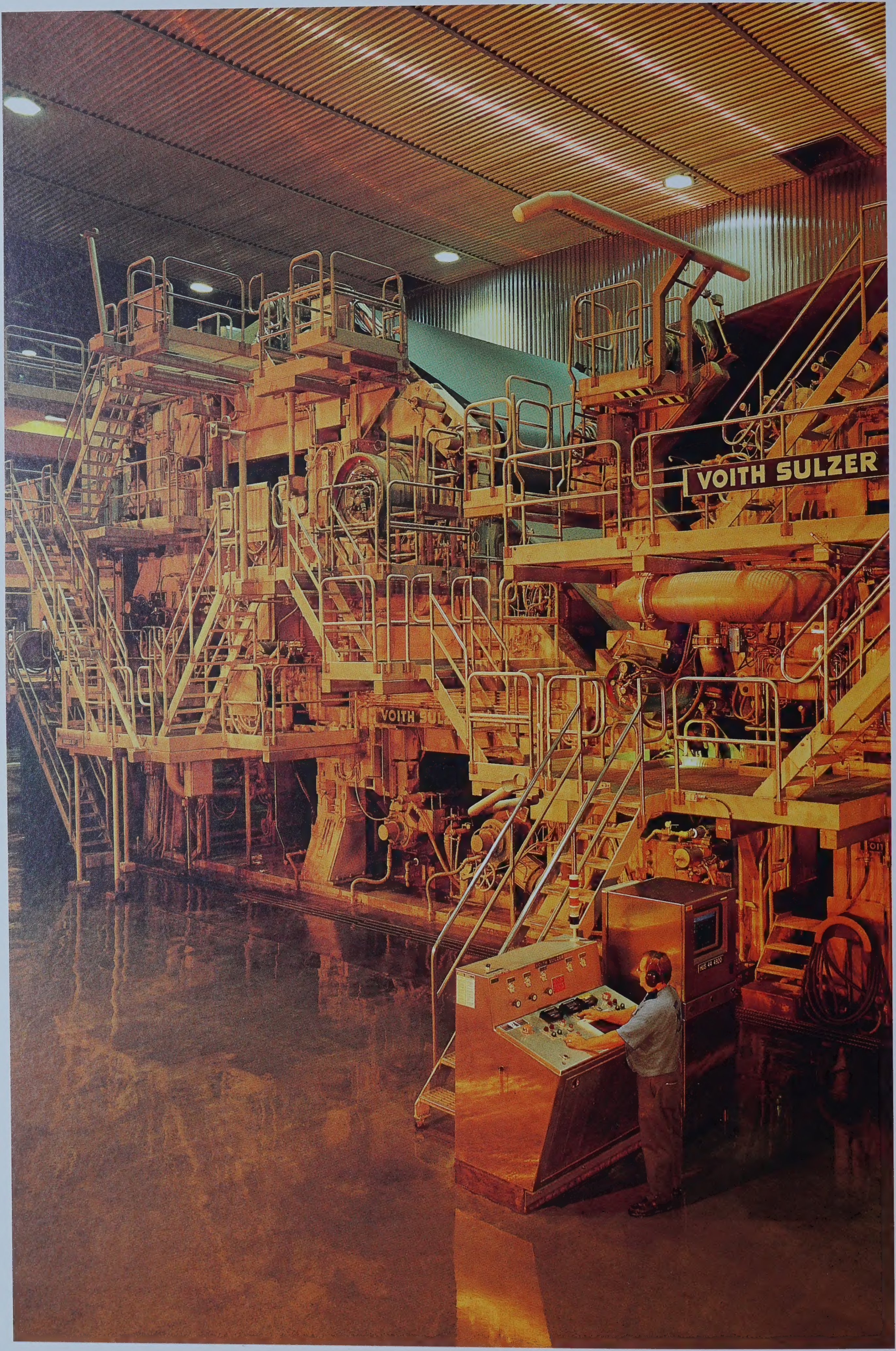
Since the lion's share of timber supplied to its Quebec sawmills and paper mills comes from public lands, the Company was also actively involved in the review of the forest management system undertaken by the government of Quebec. Alliance Forest Products Inc. supports the main objectives of this review, specifically the need for greater openness within the industry, enhanced forest management, higher accountability to government authorities, increased public involvement in the preparation of forest management plans, and the harmonization of woodlands operations with the many local users of forest lands.

However, we believe that some of the proposed measures will have an adverse impact on the competitiveness of the Quebec forest industry, the number of jobs, and future investment in the sector. Alliance Forest Products Inc. wishes to collaborate with the government to identify measures that will allow the industry to achieve the objectives of the review in an efficient and cost-effective manner. Finally, we have recommended updating the stumpage fee system in Quebec, owing to its inability to adjust rapidly and appropriately to market fluctuations affecting various forest products, unlike the practices in effect in other Canadian provinces and several regions in the United States.

Alliance Forest Products Inc. would be unable to fulfill its mission and achieve its objectives without the constant support and unwavering dedication of its employees. Once again this year, our employees demonstrated total professionalism and delivered an excellent performance, and we wish to offer them our sincere thanks. We also wish to take this opportunity to thank all the members of the Board of Directors, who continued to provide us with the benefit of their valuable advice regarding the Company's operations, development and financial health. The concerted efforts of all those partners ensured that Alliance Forest Products Inc. continued to provide quality products and service to a constantly growing customer base, whose loyalty is our most important asset.

Robert Després
Chairman of the Board

Pierre Monahan
President and Chief Executive Officer


VOITH SULZER

FOLLOWING THE DONNACONA START-UP, TOTAL PRODUCTION CAPACITY FOR SUPERCALENDERED PAPERS ROSE FROM 136,000 TO 288,000 TONNES, MAKING THE COMPANY THE THIRD LARGEST PRODUCER OF THESE PAPERS IN NORTH AMERICA.

SPECIALTY PAPERS

Increased presence in growth segments

The Company's two Canadian paper mills, located in Dolbeau and Donnacona, Quebec, operate four paper machines that turn out uncoated groundwood specialty papers. Bulky book and high-bright papers produced by the Company are used to print paperback and trade books, whereas supercalendered papers, currently marketed under the Eminence and Eminence Plus brand names, are used for retail flyers, advertising inserts, catalogues and magazines.

The start-up of the new facilities at the Donnacona paper mill in October, specifically the commissioning of paper machine No. 4, represented the final stage in the strategy to promote value-added production at the Company's Canadian paper mills. In five years, the proportion of specialty papers produced in Canada rose from 40% to 83% in 2000 and an anticipated 100% in 2001.

A leading supercalendered paper manufacturer

As anticipated, new paper machine No. 4 was brought on line within the original $275-million budget. With an annual capacity of 152,000 tonnes, paper machine No. 4 is equipped with leading-edge technology and is capable of producing SCA and SCB papers. These superior-quality papers meet the requirements of both offset and rotogravure printing processes. Start-up results to date have been more than promising, owing to the quality of the equipment and processes employed, the tireless work put in by the engineering and production teams, and the effectiveness of the manpower training programs.

Following the Donnacona start-up, total production capacity for supercalendered papers rose from 136,000 to 288,000 tonnes, making the Company the third largest producer of these papers in North America.

Customer satisfaction: solutions that deliver

Although the Company has been in the supercalendered paper market for only three years, its Eminence and Eminence Plus products are highly regarded by customers. A customer satisfaction survey conducted with assistance from an external consultant showed that the Eminence and Eminence Plus products are at the top of their respective segments (SCC and SCB) in terms of printing quality and pressroom runnability.

With more than 30 years experience producing uncoated groundwood book papers, the Company has the largest market share in North America. Essentially all the 177,000 tonnes produced on Dolbeau's paper machine No. 2 and Donnacona's paper machine No. 3 are destined for this market segment.

The Dolbeau and Donnacona paper mills each operate two paper machines, one for book papers and the other for supercalendered papers. The complementary products turned out by these two mills, along with the recycled newsprint produced at Coosa Pines, provide customers with an extensive line of superior products and seamless service.

Dolbeau and Donnacona
(production capacity in tonnes)

Paper

Dolbeau

Machines	Products	Capacity 2001	Capacity 2003
PM2	Uncoated papers	84,000	84,000
PM5	SNC/SCB papers	136,000	136,000
Total		220,000	220,000

Donnacona

Machines	Products	Capacity 2001	Capacity 2003
PM3	Uncoated papers	93,000	93,000
PM4	SCA/SCB+/SCB papers	152,000	152,000
Total		245,000	245,000

NEWSPRINT

Focus on recycled content and improved competitive position

Substantial progress was made in the implementation of the strategic plan to turn Coosa Pines into a leading, low-cost producer. The main features of this strategy are:

- specialization of the Coosa Pines mill in recycled newsprint;
- improvement in the mill's environmental performance;
- increase in production capacity.

With the production, sales and customer support teams working in close cooperation, the Company's project to have the three paper machines at Coosa Pines specialize in newsprint production was a resounding success. The 88,000 tonnes of specialty papers previously produced on paper machine No.1 are now produced on Dolbeau's paper machine No. 2 and Donnacona's paper machine No. 3.

Coosa Pines
(production capacity in tonnes)

Papers

Machines	Product	Capacity 2001	Capacity 2003
PM1	Newsprint	83,000	83,000
PM3	Newsprint	151,000	151,000
PM4	Newsprint	176,000	226,000
Total		**410,000**	**460,000**

Market pulp

	Product	Capacity 2001	Capacity 2003
	Fluff pulp	245,000	272,000
	Southern hardwood kraft pulp (SBHK)	27,000	–
Total		**272,000**	**272,000**

With some of the proceeds of the sale of the timberlands in the first quarter, the Company initiated construction of an ultramodern US$113-million recycled pulp facility. When the plant is brought on line in late 2001, it will produce 1,500 short tons of de-inked pulp on a daily basis for use in the manufacture of newsprint made from 100% recycled fibre. In addition to its environmental benefits, this project will significantly reduce manufacturing costs, while rationalizing the production of pulp.

By focussing on recycled newsprint at Coosa Pines, the Company is maximizing the advantages of the Coosa Pines complex, specifically:

- its location in a region where demand for newsprint is growing;
- its proximity to customers, thus minimizing freight costs;
- its access to an abundant supply of old newspapers and magazines.

MARKET PULP

Focus on quality and customer service

With an annual production capacity of some 272,000 tonnes, Alliance Forest Products Inc. is one of North America's largest fluff pulp producers. Fluff pulp is used in the manufacture of personal hygiene products, including disposable diapers. Most of the Company's production is sold to Kimberly-Clark, under a long-term supply agreement signed when Alliance Forest Products Inc. acquired the Coosa Pines complex in 1997.

This year, well in advance of the expiry date, Kimberly-Clark and Alliance Forest Products Inc. worked on renewing the agreement. Under the new six-year agreement, including a renewal option, the Company will ship practically all of its fluff pulp production to Kimberly-Clark plants in North America, Mexico and the United Kingdom.

The Company also announced in fiscal 2000 that it will cease production of hardwood kraft pulp as soon as the new recycled pulp facility comes on line in late 2001. This strategic decision allows the Company to limit the number of pulping processes in use at Coosa Pines, therefore avoiding considerable environmental-protection related expenses, and channelling all the market pulp produced toward more profitable products.

Following a rigorous audit conducted by an independent registrar, the market pulp sector had its quality assurance system registered under the ISO 9002 standard in May 2000. Simply having achieved this world-recognized certification bears witness to the Company's ongoing concern for meeting customer needs.

The market pulp sector intensified its operating efficiency in 2000. Pulp manufacturing costs were reduced slightly, primarily due to a 5% increase in the fluff pulp dryer speed, the installation of a new brown-stock washer and a reduction in fibre supply costs.

Major progress was achieved in 2000 with the implementation of the US$170-million modernization program to turn Coosa Pines complex into a leading low-cost producer.

LUMBER

Focus on fibre supply and enhanced productivity

Ongoing concern for the environment

During fiscal 2000, the Company was actively involved in forest management and environmental protection. For the sixth consecutive year, mosaic cutting was used extensively in the Company's northern cutting areas. The innovative nature of this forest practice was in fact featured in a national television broadcast. Furthermore, Alliance Forest Products Inc. recently received the Forest Stewardship Recognition Award from Wildlife Habitat Canada, in appreciation of the Company's outstanding efforts.

The Company is also undertaking field studies of yet another innovative harvesting method that protects small merchantable stems under 10 centimetres (4 inches) in diameter. This harvesting method substantially reduces the visual impact of cuts in mature stands, while offering beneficial effects for the flora and fauna in the area.

As Alliance Forest Products Inc. is concerned about demonstrating its commitment to responsible and respectful stewardship of the forests, the Company is working toward obtaining forest certification under the ISO 14001 standard for all its woodlands management units. The Company expects to complete the process in 2001. In addition, the Company is examining the feasibility of having its forest management system certified under other recognized standards, such as the Canadian Standards Association's program.

Unfavourable business climate and lower wood supply

From a business perspective, fiscal 2000 was a disappointing year in the lumber sector. The marked decline in lumber prices, combined with substantial increases in stumpage fees in recent years and the restrictions on lumber exports to the United States, forced many lumber producers to temporarily shut down some of their mills. The Company too was affected by this situation, and had to temporarily close four of its sawmills.

Like their competitors in the Lower St. Lawrence and the Gaspé regions of Quebec, the Guérette and Mitis divisions not only had to cope with the difficult economic environment, but also saw their supply volumes from public forests cut back following the renewal of the forest supply and timber management agreements with the government. The assumptions the Company applied to the allowable cut calculations, however, seemed to indicate that timber supply from 1999 to 2004 would decline slightly. Despite this, in reviewing the general forest management plans submitted by the Company, the government modified the assumptions and decreased the allowable cut for the Guérette and Mitis divisions by 36% and 27%, respectively. Discussions are currently under way with the Department of Natural Resources to lesser the impact of these reductions.

The turnaround of Girardville and Baie-Trinité sawmills, which the Company acquired outright in 1997 and 1999, respectively, is taking longer than expected owing to the difficulty these mills are experiencing in solving their chronic undersupply problems and to the major increase in stumpage fees. Since resolving these issues is critical to the short-term viability of these facilities, the Company has accelerated its representations to the Quebec government.

Review of strategic initiatives

On a more positive note, the modernization and rationalization program continued in 2000, with new equipment brought on line at the Baker Brook sawmill. The revamped mill means that current supply volumes can be processed on a single ultramodern production line. Other improvements have been or are being made at the Mistassini, Saint-Félicien and Girardville sawmills in the Lac-Saint-Jean region, with a view to reducing timber consumption per thousand board feet produced, improving safety, and decreasing processing costs.

The Company disposed of certain assets in fiscal 2000, without compromising fibre supply to its mills or business opportunities for some of its by-products. In the first quarter of the year, the Company sold 367,000 acres of Alabama timberland for approximately $440 million. This sale included a long-term fibre supply agreement for the Coosa Pines complex and Westover sawmill.

The Company also sold its I-joist manufacturing assets to Boise Cascade Corporation for $17 million, in addition to certain elements of working capital. Under a long-term supply agreement included with the sale, the Company will continue to sell the short wood used in the manufacture of AllJoist products to the new owner.

Sawmills

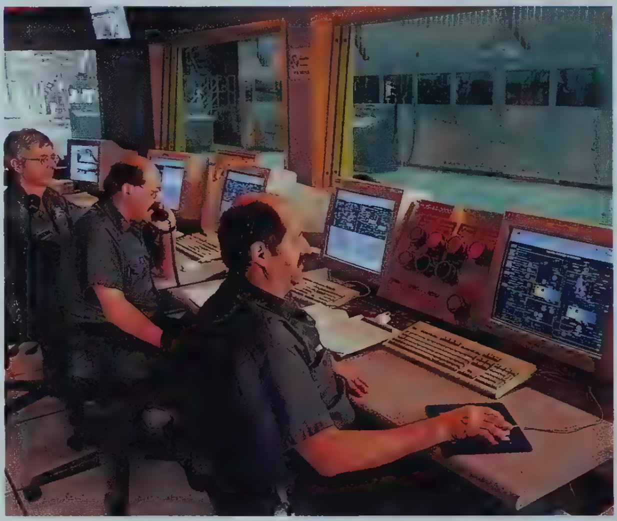
[illegible]	[illegible]	Capacity 2001 (in millions of fbm)
Mistassini	Quebec	175
Saint-Félicien	Quebec	160
Dégelis	Quebec	60
Baker Brook	New Brunswick	75
Rivière-Bleue	Quebec	30
Lac-des-Aigles	Quebec	20
Price	Quebec	85
Girardville	Quebec	30
Baie-Trinité	Quebec	50
Westover	Alabama	58
Total		743

Canadian Forest Industries

TECHNOLOGY

Research and development closely aligned to corporate strategy

With the completion of the modernization projects at its Canadian paper mills, Alliance Forest Products Inc. is now reaping the benefits of a sound strategy to align its research and development activities with the development of value-added products geared to customer needs. As part of this strategy, the Company undertook certain projects that required the development of exclusive manufacturing processes. Working in cooperation with private organizations and university research centres, the Company has undertaken studies in fields where pursuing a competitive advantage would be both too risky and too costly a process to do independently.



Technological breakthrough in supercalendered paper manufacturing

The Company's success in the supercalendered papers sector is a good illustration of the effectiveness of this approach. Working with equipment suppliers and certain universities, the Company developed a unique process for making the pulp needed to manufacture these papers. Initiated in the early 1990s, the program aimed to optimize the use of black spruce fibres and the thermomechanical pulping process used by the mills in order to produce high-quality supercalendered papers with little or no kraft pulp added. This objective was achieved with the launch of the Eminence (SCC) and Eminence Plus (SCB) papers.

Alliance Forest Products Inc. built a sizeable competitive advantage with these papers. Customer satisfaction surveys have confirmed the Company's edge when it comes to quality. In fact, the mechanical pulp used in these products delivers better print quality than kraft pulp. The Company is also ahead in the area of production costs. Kraft pulp is more costly to produce because roughly 2.5 tonnes of wood chips are needed to produce a tonne of kraft pulp compared with 1.1 tonnes of chips for a tonne of thermomechanical pulp. As well, reduced wood chip consumption makes mechanical pulping a more environment-friendly process.

With its unique pulp-fractionation procedure, Alliance Forest Products Inc. devised a pulping process that consumes less energy than the processes used by other supercalendered paper manufacturers. The Company's exclusive process was first tested in a pilot project on scaled-down equipment and has been used successfully since 1997 at the Dolbeau paper mill. The first trials run in the fall of 2000 at the Donnacona paper mill demonstrated that it will be feasible to manufacture SCA papers with less than 6% kraft pulp, while competing products contain 20% or more, on average.

Joint applied research efforts

To enhance its paper product line, Alliance Forest Products Inc. is involved in research work at specialized papermaking research centres. One such project is focussed on improving bleaching procedures used on uncoated groundwood papers. There would be a definite competitive advantage to manufacturing brighter papers at a lower cost, as this would increase the potential use of these papers in book publishing.

Other research work undertaken jointly with the Pulp and Paper Research Institute (Paprican) is focussed on gaining a better understanding of the mechanical attributes of paper that affect its performance on printing presses. The characteristics of the finish of the sheet are also being investigated to determine their impact on print quality. Such new knowledge will be used to improve paper-manufacturing equipment and processes.

Finally, research on recycled pulp production will result in improvements in the newsprint sector. A better understanding of the physical and chemical phenomena will lead to the production of a better quality pulp at a lower cost, and maximum recovery of the fibres contained in recycled paper.

In short, the Company uses research and development as a strategic lever to develop the most promising new technologies, and in turn promote increased use and profitability of its assets.

The Company is now reaping the benefits of a sound strategy to align its research and development activities with the development of value-added products geared to customer needs.

THE GOAL IS TO GRADUALLY ENHANCE EMPLOYEE ACCOUNTABILITY BY GIVING EMPLOYEES THE OPPORTUNITY TO MAKE THE MOST OF THEIR SKILLS. TO ACCOMPLISH THIS, THE COMPANY HAS PUT IN PLACE STRUCTURED CONTINUOUS IMPROVEMENT PROCESSES, IN WHICH NEW AND EXISTING COMPETENCIES WORK HAND IN HAND.

HUMAN AND SOCIAL REPORT

A challenging work environment

In fiscal 2000, most of the Company's locations worked on implementing a participative management style. The goal is to gradually enhance employee accountability by giving employees the opportunity to make the most of their skills. Various initiatives, including training and information programs, have been put in place to allow employees to acquire the tools needed to enhance both their performance and their careers. On the whole, these programs generally emerge from very productive discussions between management and employee representatives.

A quantitative and qualitative workforce planning process is applied for each technological change. Work organization and operating methods are regularly reviewed in the various work settings to identify potential areas of improvement in product quality, customer service and productivity. The Company has also put in place structured continuous improvement processes, such as ISO 9002 certification, and recognized occupational safety systems, in an effort to encourage all employees to focus on achieving the Company's strategic objectives.

Integrating existing and new competencies

The Company's recruiting and training programs are designed to combine existing competencies with those needed to strategically reposition its primary locations and product lines. Bringing new competencies on board and consolidating existing ones occur simultaneously on a daily basis. These cross-functional programs are designed to synchronize the acquisition of new skills among employees, regardless of their field of specialization.

The training program associated with the Donnacona modernization project is a prime example of the Company's human resources development strategy. First, managers and professionals with expertise in the production and marketing of supercalendered papers were recruited. Then, some employees from the Dolbeau paper mill were transferred to the Donnacona facility. Newcomers at the Donnacona mill worked hand in hand with our training advisers and equipment suppliers to design appropriate training programs.

Trainers selected from among the employees prepared and delivered various training programs. About $3 million was invested in more than 60,000 hours of classroom and practical training for employees, to ensure the success of the modernization project. This approach helped the Donnacona and Dolbeau employees make the technological leap required to operate the new ultra-sophisticated paper machines.

Building a safe working environment

Preventing occupational hazards requires sustained involvement from managers, employees and their union representatives. In the year 2000, the Company embarked on a review of the safety programs in place at each of its locations. Management and joint health and safety committees increased their efforts to ensure compliance with safety rules and procedures, specifically the equipment lock-out procedure. An analysis of the causes of accidents had previously demonstrated that some serious accidents resulted from the inadvertent start-up of equipment while maintenance work was under way. Although the Company was exonerated from any blame, it still took the precaution of reviewing all lock-out procedures and related check lists for the various pieces of equipment. A communications program is also currently under way to remind everyone of the serious hazards associated with the failure to lock-out equipment properly. With the collaboration of employees who had been involved in an accident caused by inappropriate lock-out of equipment, the Company has produced a documentary that clearly shows the negative consequences of failing to follow this procedure.

All these efforts have clearly paid off because for the fifth consecutive year, the frequency rate of workplace accidents resulting in lost time and the incidence rate (which includes accidents that do not result in lost time) fell by 12% to 3.0 and 7.7, respectively, the Company's best-ever safety performance.

Community involvement

Through its donations and sponsorship program, the Company supports various initiatives aimed at improving quality of life in the regions where it operates. As in the past, resources are granted first and foremost to health, education, community assistance and sociocultural development sectors. In addition to financial support from the Company, community organizations also receive volunteer support from many Company employees.

In 2000, the Company increased its involvement in consultations held by various levels of government with respect to the legislation governing the Company's business sectors. For example, the Company submitted numerous suggestions and recommendations to the government directly or through industry associations with respect to the review of the Quebec forest system and the discussions on lumber exports to the United States.

Senior management's annual tour of Company facilities was held again this year. This tour provides an opportunity for senior management to discuss the development of each location and the Company with local management, employees and their union representatives. Senior management also met with local elected officials and community representatives to share information on the Company's initiatives and to learn more about the community's expectations. Through these efforts, the Company enjoyed sustained local support in the regions where it owns operations.

MANAGEMENT'S DISCUSSION
and analysis

Operating results

Alliance Forest Products Inc. reported net sales of $1,085.1 million in 2000, compared with $1,052.7 million in 1999. The 3% increase in net sales was mainly due to rising newsprint and pulp prices throughout the year. However, the effect of these higher prices was largely offset by a significant fall in lumber prices and a substantial decline in lumber shipments.

Selling, general and administrative expenses were down considerably during the year. They stood at $31.7 million in 2000 compared with $37.8 million in 1999, owing to strict management of the Company's selling, general administration and business development expenses.

As a result of higher pulp and paper prices, operating income was up from $11.5 million or 1.1% of net sales in 1999 to $98.5 million or 9.1% of net sales in 2000. A major factor in this improvement was the amortization of $34.4 million of the gain realized on the sale of the Alabama timberlands. Another contributing factor was the $10.7-million reduction in depreciation expenses following the sale of the timberlands and the I-joist plant. Moreover, unit operating costs declined in the pulp and lumber sector in 2000 and cost increases in the paper sector were contained at a very low level, thanks to productivity gains and cost control measures. In the paper sector, specialty papers accounted for 45% of total production in 2000, compared with 41% in 1999. The unit production cost for specialty papers is higher than for newsprint, which limited the reduction in manufacturing costs.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were up substantially, totalling $142.8 million in 2000 compared with $100.9 million in 1999. As a percentage of net sales, EBITDA rose from 9.6% in 1999 to 13.2% in 2000.

Net financing expenses decreased significantly, from $35.7 million in 1999 to $11.4 million in 2000, owing to a reduction in the Company's long-term debt and the capitalization of the interest on funds invested in the Donnacona project.

Net earnings before unusual items amounted to $53.1 million or $1.70 per common share in 2000, versus a net loss before unusual items of $16.2 million or $0.44 per common share in 1999. During the year, the Company recorded a $62.8-million charge for unusual items relating to the disposal of certain pulp production equipment at Coosa Pines, as well as an $11-million gain on the sale of the I-joist manufacturing plant. As a result, net earnings for 2000 totalled $21.3 million or $0.68 per common share, a $37.5-million increase over the net loss of $16.2 million or $0.44 per common share recorded in 1999.

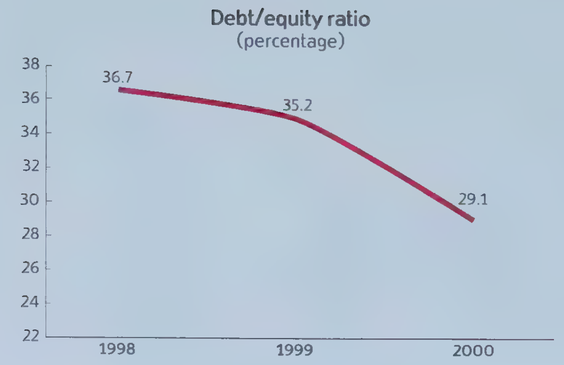
Liquidity and sources of financing

Despite the improvement in the Company's net earnings in 2000, cash flow from operating activities was $85.5 million or $2.74 per common share in 2000, compared with $122.8 million or $3.35 per common share in 1999. The decrease is attributable to changes in working capital items. The Company invested $9.2 million in various working capital items in 2000, while it had withdrawn some $51.6 million from these same items in 1999. Cash flow before changes in working capital was $94.7 million or $3.03 per common share in 2000 and $71.2 million or $1.95 per common share in 1999, which better reflects the improvement in the Company's results.

Working capital remained practically stable since the funds generated by operations and the sale of certain assets were used to pay down the debt and were applied to capital expenditures.

The Company's financing activities used $302.2 million in available capital in 2000. Of this $302.2 million, $203.5 million was related to debt repayment and $100.6 million to the redemption of common shares.

During the year, the Company repaid $35.8 million of bank debt and $331.9 million of long-term debt, repayments that were made possible by the sale of the Alabama timberlands. However, the net effect was partially offset by $164.2 million of new long-term borrowings to finance capital projects.



In 1999, the $89.8-million repayment of long-term debt was also partially counterbalanced by a $45.6-million issue of long-term debt.

In 2000, net long-term debt was reduced by $167.7 million, versus a reduction of $44.2 million the previous year. This sharp drop meant that net long-term debt accounted for a smaller proportion of total debt and shareholders' equity, i.e., 29.1%, versus 35.2% at the end of 1999. The Company was therefore in an even stronger financial position at the end of 2000.

With respect to the buyback and cancellation of common shares, the Company paid out $100.6 million to buy back 5,076,142 common shares at a price of $19.70 per share. At March 9, 2000, the number of shares redeemed and cancelled was equivalent to 14.4% of shares then outstanding. In 1999, 3,045,851 common shares were redeemed at a cost of $50.3 million. Naturally, this buyback had a significantly positive impact for shareholders on earnings per share and the book value of shares. Total shareholders' equity went from $892.4 million or $25.35 per share at December 31, 1999 to $803.6 million or $26.57 per share at December 31, 2000.

The Company benefits from a $510.8-million credit facility maturing in September 2003 and consisting of four elements: a revolving term credit facility of $136 million, a US-dollar denominated, non-revolving term credit facility of $174.8 million, a revolving working capital credit facility of $180 million and a swing line facility of $20 million. Unused credit facilities stood at $129.3 million at December 31, 2000, versus $34 million a year earlier. The sale of timberlands to Hancock Financial Services will reduce credit facilities by an estimated $94 million in 2001.

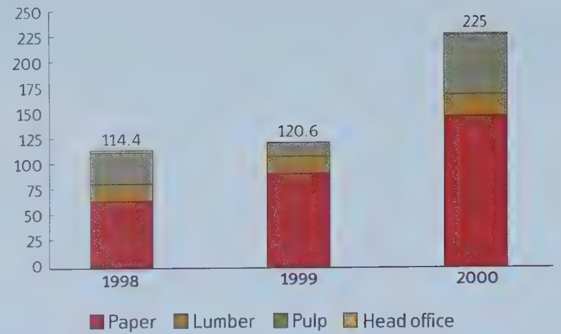
Sale of Alabama timberlands and of the assets and trademarks of Alliance Forest Products – Joists Inc.

In accordance with the transaction announced at the end of 1999, the Company sold some 367,000 of the 384,000 acres of Alabama timberland it owned, as well as cancelled 35,000 of the 40,000 acres that it leased. The gross proceeds of this sale were US$303 million or approximately CAN$440 million. Also, the sale of the assets and trademarks of Alliance Forest Products – Joists Inc., a wholly-owned subsidiary of Alliance Forest Products Inc., amounted to $17 million. Net cash receipts from the sale of these assets totalled $443.7 million in 2000, compared with the $60 million in 1999, associated with the sale of all the Company's shares in Enviro-Énergie Alliance inc., a cogeneration plant located in Dolbeau, in the Lac-Saint-Jean region of Quebec.

Capital expenditures

In order to increase shareholder value, the Company continued to implement its strategic plan, and made considerable progress towards its objective in 2000. Cash flow from investing activities was a positive figure of $217.4 million, versus a $65 million use of funds in 1999. One of the key elements of the Company's strategy was to discontinue newsprint production at its Dolbeau and Donnacona paper mills in Quebec in favour of increasing the production of value-added printing paper. This strategy has led the Company to make substantial capital expenditures beginning in 1996. New machines were built at the Dolbeau and Donnacona mills to ensure their continued operation. As a result of the investments made, these mills have become leaders in producing high-quality, low-cost SCC and SCB supercalendered papers. The new facilities at Donnacona offer similar potential for SCA paper. Although their long-term viability was initially in doubt, the Company now has two world-class paper mills.

Capital expenditures
(in millions of dollars)



The strategic plan also calls for maintaining an important presence in the production and marketing of newsprint, and the acquisition of the Coosa Pines complex in 1997 was made to this end. However, the purchase price of the assets indicated that substantial capital expenditures would be required at some point. A US$170-million investment program being phased in between 2000 and 2002 will enable the Company to position this mill as a low-cost producer.

The Company made considerable progress in 2000 in implementing its strategic plan.

- The Dolbeau mill reached and exceeded the productivity, quality and profitability objectives established when the decision was made to build paper machine No. 5.
- The construction of paper machine No. 4 in Donnacona was completed within its budget of $275 million, and the machine went into operation in October 2000.
- Construction began on a recycled pulp plant with sufficient capacity to supply all the pulp required by the Coosa Pines paper machines. In addition to reducing paper production costs, this project will significantly rationalize the pulp sector at Coosa Pines. It will require an investment of US$113 million and is scheduled for completion at the end of 2001.

Capital expenditures were $225 million in 2000, versus $120.6 million in 1999. The construction of paper machine No. 4, was without a doubt the highlight of the year. In the United States, investments were made to ensure compliance with environmental regulations (the Cluster Rules) and to increase production capacity for recycled pulp for use in newsprint.

Given the changes in cash flow, its current credit facilities and the availability of additional financing because of its low level of indebtedness, the Company is confident that in the coming year it will have the necessary resources to pay for its capital expenditures. Of the $275 million of capital expenditures projected for 2000, only $225 million was spent. The remaining $50 million was delayed until 2001 by postponing certain projects including certain disbursements for the Donnacona project to early 2001.

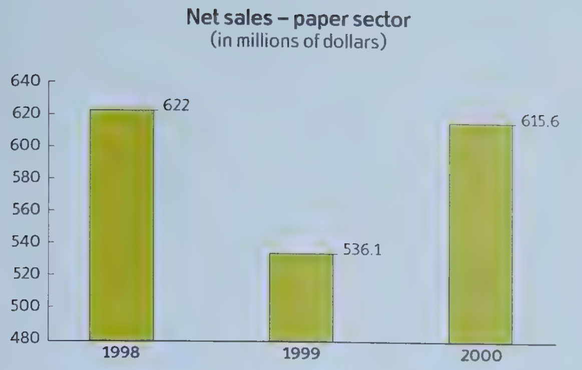
Total capital expenditures of approximately $280 million are anticipated in 2001, including the $50-million carryover. Since the major project of 2001 will be the Coosa Pines recycled pulp plant, capital expenditures should be substantially lower in 2002, in the order of $160 million.

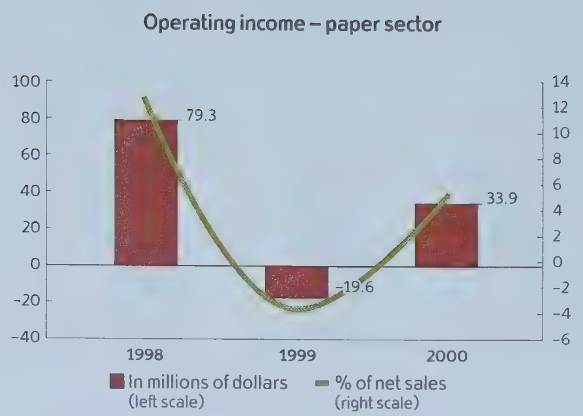
PAPER SECTOR

At December 31, 2000, Alliance Forest Products Inc. operated three paper mills — the Donnacona and Dolbeau mills in Quebec, and the Coosa Pines mill in Childersburg, Alabama. Together, these mills have seven operating paper machines, with a combined capacity of 875,000 tonnes, producing newsprint and uncoated groundwood papers. The latter are used primarily for printing advertising inserts, magazines, catalogues and books.

The paper sector is the Company's largest business sector, with net sales of $615.6 million, accounting for 56.7% of the Company's total sales during the year. This represents an increase of $79.5 million or 14.8% over net sales in 1999. The increased paper sales are essentially attributable to higher average paper prices, which rose 13.5% over the previous year. Sales volume climbed 9,316 tonnes from 774,377 tonnes in 1999 to 783,693 tonnes in 2000. Sales in 2000, 45% of which involve specialty papers, contributed to the increase in the average paper price, as their selling price is higher than the price for newsprint. Specialty papers accounted for 41% of total paper sales in 1999.

The increased production of specialty paper led to higher operating costs. However, a sizeable increase in machine efficiency and tight cost control allowed us to contain the rise in operating expenses to 3.4% versus 1999.





Higher paper prices, increased efficiency, and tight control over operating expenses contributed to a marked recovery in operating income, which rose from a $19.6-million loss in 1999 to a $33.9-million operating profit in 2000. The operating profit margin improved, rising to 5.5% in 2000. Earnings before interest, taxes, depreciation and amortization jumped significantly, from $30.9 million, or 5.8% of sales in 1999, to $83.2 million, or 13.5% of sales, in 2000.

Capital expenditures in the paper sector reached $145.2 million in 2000, up $60.9 million from 1999, owing to the Donnacona project. The first marketable paper rolled off paper machine No. 4 on October 22, 2000. Paper machines Nos. 1 and 2, which had a combined capacity of 85,000 tonnes, were shut down on November 16, 2000. Prior to the shutdown of these two machines, paper machine No. 3, which will continue making specialty papers, underwent a major overhaul to improve its efficiency.

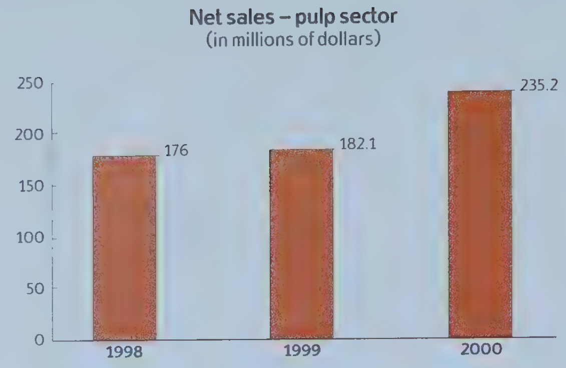
A gradual approach was taken to the start-up of paper machine No. 4, with a progression of different types of papers produced on the machine. First, newsprint was produced for ten days, during which satisfactory efficiency levels were achieved. SCC paper was then manufactured successfully for eight days. And since November 10, paper machine No. 4 has been producing SCB paper. The Company expects to start production of SCA paper, the product for which the machine was designed, in the first quarter of 2001. An efficiency rate of 75% is anticipated in 2001.

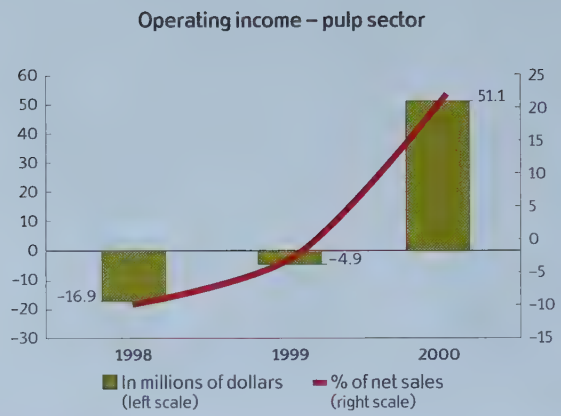
The Company started construction of a second bleach plant at Donnacona during the year. This $12.5-million project is slated for completion in the second quarter of 2001. The new plant will improve the mill's competitive position in the high-bright, specialty paper market, while reducing manufacturing costs.

Finally, in May 2000, the Company's Board of Directors approved a major project for the paper sector, namely the construction of a new recycled pulp plant in Alabama – replacing the existing de-inking facilities – at a cost of US$113 million. Daily production capacity of recycled pulp will increase from 500 to 1,500 short tons by the fourth quarter of 2001. This expansion will allow the Company to completely eliminate the use of virgin fibre in the manufacture of newsprint at Coosa Pines, while meeting customer demands for recycled content. Studies undertaken in cooperation with external consultants confirmed that additional requirements for recycled paper can be met.

Eliminating the need for mechanical, thermomechanical and kraft pulps, which are currently used to manufacture newsprint at Coosa Pines, will simplify the papermaking process. Once the new recycled pulp plant is operational, the kraft pulp currently used to make newsprint will be redirected to fluff pulp operations.

The new recycled pulp plant is intended to reduce paper production costs, while maintaining consistent product quality. The following phase in the Coosa modernization program will entail boosting annual newsprint production capacity at Coosa Pines by focussing from now until 2002 on increasing machine speeds.





PULP SECTOR

Besides the pulp produced for its own needs, the Coosa Pines complex produced nearly 270,000 tonnes of chemical kraft pulp, comprising some 240,000 tonnes of fluff pulp and 30,000 tonnes of southern bleached hardwood kraft pulp.

External pulp sales in 2000 reached $235.2 million, compared with $182.1 million in 1999, an impressive 29.2% increase. The pulp sector has grown, accounting for 21.7% of the Company's total net sales in 2000, compared with 17.3% in 1999.

The significant increase in sales arose solely from the increase in unit selling prices during the year, with market conditions continuing to improve through the third quarter of 2000. Average pulp prices increased 32.6% over 1999. Pulp sales volume fell slightly, dropping 7,103 tonnes from 271,398 tonnes to 264,295 tonnes.

Through sustained efforts, operating costs fell slightly in 2000, an excellent performance, given the upward pressure on costs in the sector's current context.

The decrease in shipments in 2000 was primarily due to the 12 days of downtime needed to start up new equipment installed in compliance with the new environmental standards (Cluster Rules) and to undertake normal maintenance work. The start-up of the new brown-stock washer, which resulted in the elimination of 24 positions in late 2000, as well as a decline in the amount of chemicals used, will lead to lower market pulp production costs. The quality assurance system in place at the Coosa Pines pulp mill was registered in May for the 1994 version of the internationally recognized ISO 9002 standards. The registration of the quality assurance system, undertaken by Underwriters Laboratories Inc. (UL), includes an audit of all engineering and manufacturing processes involved in the production of market pulp.

The pulp sector achieved a record operating income of $51.1 million, in contrast with an operating loss of $4.9 million recorded in 1999. The operating profit margin increased 24.4 percentage points to 21.7% during the year, compared with the 2.7% operating loss margin in 1999. Earnings before interest, taxes, depreciation and amortization reached $64.3 million or 27.3% of net sales, compared with $7.4 million or 4.1% of net sales in 1999.

Capital expenditures totalled $58.9 million for the pulp sector in 2000, up $41.8 million over the $17.1 million in expenditures in 1999. These expenditures are primarily linked to the project to ensure compliance with new environmental standards. Since this project is very near completion, investments planned for 2001 are far less substantial.

The start-up of the new recycled pulp plant for paper operations will have a major impact on the pulp sector. Once the new plant is on line, the quantity of kraft pulp currently used in the manufacture of newsprint will be redirected toward the production of fluff pulp, thereby rationalizing the market pulp sector. The Company will also stop producing and marketing SBHK pulp. In addition to allowing the Company to avoid major expenditures required to meet new environmental protection standards, this rationalization will reduce manufacturing costs and improve the profitability of the pulp sector.

Owing to the permanent closure in late 2001 of the current de-inking, mechanical pulp, thermomechanical pulp, and SBHK kraft pulp facilities, the Company recorded an unusual before-tax charge of $62.8 million in the second quarter. The start-up of the new recylced pulp plant and shutdown of the hardwood kraft pulping facilities will lead to the elimination of about 200 positions at the Coosa Pines complex. Once the project is complete, 338 positions will have been eliminated at Coosa Pines since the acquisition.

LUMBER AND FORESTRY SECTOR

Alliance Forest Products Inc. operates 10 sawmills that produce lumber, used mainly in the residential construction sector; wood chips, the primary raw material used in the paper mills; as well as sawdust and shavings, which are sold to containerboard and fibreboard manufacturers. The mills also produce bark that the Company uses for fuel. Three mills are located in the Lac-Saint-Jean region, five in eastern Quebec, one in northern New Brunswick and one in Alabama.

The Company also has a wood treatment plant in eastern Quebec. Treating wood makes it more weatherproof and extends its useful life.

The capital assets and trademarks of Alliance Forest Products – Joists Inc. were sold by the Company to Boise Cascade Corporation for $17 million, as well as certain working capital items. Boise Cascade Corporation's offer represented the best way for the Company to maximize shareholder value. A two-year renewable agreement was signed for supplying the mill with short wood produced at the Company's sawmills, thus maintaining a market opportunity for these by-products.

Lumber sector sales fell to $234.3 million in 2000, or 30% lower than in 1999. Expressed as a percentage of net sales, the lumber sector represented 31.8% in 1999 and 21.6% in 2000, for a decrease of $100.2 million.

Average net lumber prices declined throughout the year, and were 21.3% lower than the average net prices for 1999. This marked reduction was attributable to the drop in housing starts for new homes and mobile homes in the U.S., as well as the increased availability of lumber. The development and deployment of specific technologies for processing short roundwood in the U.S. and Western Canada, as well as increased imports from Europe and Latin America, which unlike most Canadian producers are not subject to quotas, accounted for the surplus of lumber on the market.

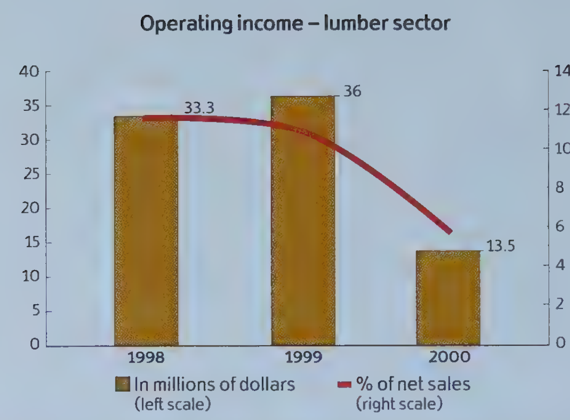
The $107 reduction in average selling prices per thousand board feet (fbm) was chiefly responsible for the downturn in sales of lumber products. Sales volume also fell, from over 662 million fbm in 1999 to 590 million fbm in 2000. The 11% drop in the volume of shipments was primarily due to a production shutdown at the Baker Brook sawmill in New Brunswick for modernization.

Operating income for the year was $13.5 million, down from $36 million in 1999. The main factor that slowed its decline was the amortization of the deferred gain realized on the sale of the Alabama timberlands, representing a sum of $34.4 million for 2000. It was decided to amortize the gain over a five-year period as a result of the signing of a 15-year contract to acquire tree-length logs from the buyer of the timberlands: the contract provides for declining annual volumes in each five-year period. The volume purchased during the first five years represents 70% of the volume available, thereby justifying amortization of the gain over an equivalent period.

The operating profit margin was 5.8% of net sales in 2000, compared with 10.8% in 1999. Operating expenses were down 16.9% under the positive influence of the amortization of the deferred gain. The reduction would have been greater had it not been for substantial increases in the cost of oil and natural gas, as well as a rise in stumpage fees in Quebec.

Capital expenditures totalled $19.2 million in 2000, versus $18.4 million in 1999. The most important project was the building of a new, ultramodern production line at Baker Brook. Other investments were made to maintain equipment and build forest roads, and were distributed throughout the various regions.

The Company examined the options open to it for reducing the negative impact of prevailing economic conditions. Following its analysis, there were temporary closures at certain sawmills insofar as this would not affect wood chip supply to the Company's Canadian paper mills. In this respect, the Company has an advantage in Canada, because it produces more wood chips than it uses.



REVIEW OF THE FOREST SYSTEM AND STUMPAGE FEES

Since the lion's share of timber supplied to its Quebec sawmills and paper mills comes from public lands, the Company was also actively involved in the review of the forest system undertaken by the government of Quebec. The Company supports the main objectives of this review, specifically the need for greater openness within the industry, enhanced forest management, more regular reporting of accounts to government authorities, increased public involvement in the preparation of forest management plans, and the harmonization of forest operations with the many local uses of forest lands.

However, the Company believes that some of the proposed measures will have an adverse impact on the competitiveness of the Quebec forest industry, the number of jobs, and future investment in the sector. Alliance Forest Products Inc. wishes to collaborate with the government on identifying measures that will allow the industry to achieve the objectives of the review in an efficient and cost-effective manner. Finally, the Company has recommended updating the stumpage fee system in Quebec, owing to its inability to adjust rapidly and appropriately to market fluctuations affecting various forest products, unlike the practices in effect in other Canadian provinces and a number of states in the United States.

CANADA-U.S. FREE TRADE AGREEMENT

The Company believes that free trade should prevail in the lumber sector, as it does in all sectors of activity in North America. The Company was therefore very pleased to note the launch of the Canadian Lumber Trade Alliance (CLTA) on January 11, 2001. The CLTA was founded by lumber industry CEOs from British Columbia, Alberta, Ontario and Quebec in order to present a common front in critical trade issues facing the Canadian lumber industry.

RISKS AND UNCERTAINTIES

Price fluctuations

The Company operates in cyclical markets where competition is fierce and where major changes in supply and demand can cause significant fluctuations in prices on these markets. The main factors affecting supply are the construction of new mills and increases in the production capacity of existing mills. In the paper sector, economic conditions and prices are the main factors impacting demand. In general, lumber prices fluctuate because of economic conditions and the seasonal nature of the construction industry, as well as its sensitivity to interest rates and weather.

A difference of US$10 per tonne in the price of paper or pulp would affect the Company's operating income by about $12.3 million or $3.9 million, respectively. A difference of US$10 in the price per thousand fbm of lumber would affect operating income by about $9.2 million.

Foreign exchange and interest rates

A significant portion of the Company's net sales and debt are denominated in US dollars and thus influenced by fluctuations in the exchange rate between the Canadian and US dollars. In addition, because most of the Company's debt is comprised of variable-rate loans, interest rate fluctuations can considerably affect the Company's cost of capital. In order to effectively manage the volatility resulting from these uncertainties and thereby limit the financial risks the Company faces in the normal course of its operations, the Board of Directors has adopted a policy that allows the Company to use various derivative financial instruments, such as options, currency futures and cross-currency interest rate swaps. As a result, the Company has implemented a hedging program using option contracts (collar and option) and forwards that currently covers between 50% and 75% of net receipts in US dollars in the coming months.

In addition to this hedging program, since a significant portion of the Company's operating expenses are incurred in the United States in US dollars and because most of its long-term debt is denominated in US dollars, the Company's exposure to exchange rate risk is acceptable.

Native claims

Quebec's First Nations Cree filed an action in July 1998, seeking an injunction to halt harvesting on all lands covered by the James Bay and Northern Quebec Agreement until such time as the federal and provincial governments, and consequently the forest companies, submit their harvesting plans to what the Cree consider the proper process. As part of this action, the Crees are contesting the approval procedure for forest development plans and the permits necessary to harvest wood on the lands covered by the agreement. More specifically, they are demanding that the processes for assessing and reviewing environmental and social impacts be implemented in compliance with their interpretation of the agreement.

In the opinion of management, the Crees' claims should not have a material impact on the Company's operations or financial position.

ENVIRONMENT

In the sectors in which it operates, Alliance Forest Products Inc. is subject to increasingly stringent laws, standards and regulations dealing with air and water quality. In both Canada and the U.S., the laws are applied by the different levels of government. Not only does the Company comply with the standards in effect, but in some cases goes beyond expectations.

In Canada, the Company manufactures its paper primarily from wood chips produced by its sawmills, while in the U.S., the Company produces enough de-inked recycled pulp through its integrated facilities to meet 40% of its newsprint production. This proportion will rise to 100% when the new Coosa Pines recycled pulp plant goes into operation.

In 1998, U.S. authorities enacted new regulations, known as the Cluster Rules, that have tightened standards applicable to forest industry effluent and atmospheric emissions. In order to adapt its Coosa Pines mill to comply with these new rules, the Company invested some $50 million in 2000 to build a brown-stock washing facility that will optimize the recovery of black liquor from fibres. The Company estimates that it will have to invest roughly $13 million more by January 2002 in order to install equipment to entrap and incinerate methanol-rich atmospheric emissions.

TRANSITION TO THE YEAR 2000

Alliance Forest Products Inc. spent $800,000 making the changeover to the year 2000. Everything occurred as planned and the Company was able to carry on operations as usual and meet the needs of its customers.

OUTLOOK FOR 2001

The U.S. economic slowdown most forecasters have been predicting is likely to prompt the new Bush administration and the Federal Reserve to implement fiscal and monetary measures to soften its impact. The recent reductions in key interest rates are consistent with this approach. Analysts are expecting growth to be higher in Canada than in the U.S.

A sound balance between supply and demand continues to be found in the newsprint market. The anticipated decline in advertising expenditures will be offset by the shutdown of obsolete machines and the conversion of others to specialty products. Transaction prices are likely to show a moderate improvement in 2001. The market for specialty groundwood papers should also be favourable this year, although there is a risk of temporary disruption when new production capacity comes into operation.

In the pulp sector, the relative strength of the US dollar and recent increases in inventories of northern bleached softwood kraft (NBSK) pulp could cause prices to drop at the beginning of 2001. In order to bring supply and demand back into balance, the main producers have announced production curtailments in the first quarter of 2001. The resulting inventory runoff and continuing moderate economic growth suggest that prices may improve during the year.

The outlook is less promising in the lumber sector. Supply continues to expand because of increased exports to the U.S. and greater fibre recovery in sawmill operations. However, lower interest rates, a possible decline in tax rates and moderate growth could sustain demand for lumber products.

Management is optimistic and confident that the Company will outperform its 2000 results in 2001.

Management's responsibility

The consolidated financial statements of Alliance Forest Products Inc. and the other financial information included in this annual report are the responsibility of the Company's management and have been examined and approved by its Board of Directors. These consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles and include some amounts that are based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

The Company maintains internal control systems designed to ensure that financial information is relevant and accurate and that assets are safeguarded. An internal audit program was implemented in order to evaluate the systems.

Management recognizes its responsibility for conducting the Company's affairs to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities. The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised solely of outside directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets periodically with the internal and external auditors, either with or without the Company's management, to review their respective audit plans and discuss the results of their examinations. In addition, the committee reviews the internal audit reports. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

The Company's external auditors, Raymond Chabot Grant Thornton General Partnership, have audited the Company's financial statements and their report indicating the scope of their audit and their opinion of the financial statements is presented below.

Pierre Monahan
President and Chief Executive Officer

Daniel Tardif, CA
Senior Vice-President and
Chief Financial Officer

Montreal, February 13, 2001

To the shareholders of Alliance Forest Products Inc.

We have audited the consolidated balance sheets of Alliance Forest Products Inc. as at December 31, 2000 and 1999 and the consolidated statements of earnings, retained earnings, contributed surplus and cash flows for each of the years in the three-year period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2000 in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton

Chartered Accountants
Montreal, Canada
February 13, 2001

Consolidated statements of earnings

Years ended December 31,

(In millions of Canadian dollars, except net earnings per share)

	2000	1999	1998
Sales	$1,085.1	$1,052.7	$1,085.1
Operating costs and expenses			
Cost of goods sold	910.6	914.0	864.2
Selling, general and administrative expenses	31.7	37.8	37.9
Depreciation, amortization and depletion	78.7	89.4	87.3
Amortization of the deferred gain (Note 4)	(34.4)	—	—
	986.6	1,041.2	989.4
Operating income	98.5	11.5	95.7
Net financing expenses	11.4	35.7	60.2
Earnings (loss) before unusual items and income taxes	87.1	(24.2)	35.5
Unusual items (Note 6)			
Gain on disposal of assets	11.0	—	—
Write-down of assets	(62.8)	—	—
	(51.8)	—	—
Earnings (loss) before income taxes	35.3	(24.2)	35.5
Income taxes (Note 7)			
Current (recovery)	53.1	(0.5)	(2.6)
Future	(39.1)	(7.5)	12.2
	14.0	(8.0)	9.6
Net earnings (loss)	21.3	(16.2)	25.9
Net earnings (loss) per common share	$0.68	$(0.44)	$0.68
Net earnings (loss) per common share before unusual items	$1.70	$(0.44)	$0.68

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statements of retained earnings and contributed surplus

Years ended December 31,

(In millions of Canadian dollars)

	2000	1999	1998
Retained earnings			
Balance, beginning of year as previously reported	$172.0	$188.2	$162.3
Changes in accounting policies (Note 2)	(11.4)	—	—
Balance, as restated	160.6	188.2	162.3
Net earnings (loss)	21.3	(16.2)	25.9
Balance, end of year	$181.9	$172.0	$188.2
Contributed surplus			
Balance, beginning of year	$12.3	$1.3	$—
Share redemption premium	1.4	11.0	1.3
Balance, end of year	$13.7	$12.3	$1.3

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statements of cash flows

Years ended December 31,

(In millions of Canadian dollars)

	2000	1999	1998
Operating activities			
Net earnings (loss)	$21.3	$(16.2)	$25.9
Non-cash items			
Depreciation, amortization and depletion	78.7	89.4	87.3
Amortization of the deferred gain	(34.4)	—	—
Amortization of foreign exchange loss	8.4	3.9	16.9
Amortization of financing expenses	3.4	2.5	1.5
Pension expense relating to employee future benefits	4.6	(0.9)	11.3
Future income taxes	(39.1)	(7.5)	12.2
Gain on diposal of assets	(11.0)	—	—
Write-down of assets	62.8	—	—
Changes in working capital items (Note 8)	(9.2)	51.6	(25.0)
Cash flows from operating activities	85.5	122.8	130.1
Investing activities			
Disposal of a subsidiary (Note 5)	—	60.0	—
Disposal of fixed assets	443.7	—	—
Acquisition of fixed assets	(225.0)	(120.6)	(114.4)
Increase in other assets	(1.3)	(4.4)	(7.5)
Cash flows from investing activities	217.4	(65.0)	(121.9)
Financing activities			
Increase (decrease) in bank indebtedness	(35.8)	41.4	(17.7)
Issue of long-term debt	164.2	45.6	58.8
Repayment of long-term debt	(331.9)	(89.8)	(45.2)
Issue of common shares	1.9	1.1	0.6
Redemption of common shares	(100.6)	(50.3)	(4.7)
Cash flows from financing activities	(302.2)	(52.0)	(8.2)
Net increase in cash and cash equivalents	0.7	5.8	—
Cash and cash equivalents, beginning of year	5.8	—	—
Cash and cash equivalents, end of year	$6.5	$5.8	$—

Cash and cash equivalents at the end of the year represent a short-term investment in 1999 and 2000.

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated balance sheets

As at December 31,

(In millions of Canadian dollars)

	2000	1999
Assets		
Current assets		
Short-term investment, 5.75%, maturing in January 2001	$6.5	$5.8
Accounts receivable, net of allowance for doubtful accounts of $2.2 ($1.4 in 1999)	145.1	132.9
Income taxes receivable	0.3	11.9
Inventories (Note 9)	130.1	136.1
Prepaid expenses	7.9	9.3
Future income tax assets	10.7	—
	300.6	296.0
Property, timberlands, plant and equipment (Note 10)	1,257.5	1,367.1
Other assets (Note 11)	69.8	71.3
	1,627.9	1,734.4
Liabilities		
Current liabilities		
Bank indebtedness (Note 12)	17.1	52.9
Trade and other accounts payable (Note 13)	226.3	190.8
Current portion of long-term debt	54.9	48.2
	298.3	291.9
Long-term debt (Note 14)	275.5	436.6
Deferred gain (Note 4)	159.5	—
Accrued benefit liability (Note 15)	91.0	71.7
Future income tax liabilities	—	41.8
	824.3	842.0
Shareholders' equity		
Capital stock (Note 16)	608.0	708.1
Contributed surplus (Note 16)	13.7	12.3
Retained earnings	181.9	172.0
	803.6	892.4
	$1,627.9	$1,734.4

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board,

Robert Després

Gaston Blackburn

Notes to consolidated financial statements

As at December 31,

(In millions of Canadian dollars, unless otherwise indicated)

1. Governing statutes and nature of operations

The Company was incorporated on March 11, 1994 under the Canada Business Corporations Act. Alliance Forest Products Inc. is an integrated company which harvests timber, manages forest land and produces and sells pulp, newsprint, uncoated groundwood papers; lumber and related products.

2. Changes in accounting policies

In 2000, the Company retroactively adopted, without restating prior period financial statements, the new recommendations of the Canadian Institute of Chartered Accountants (CICA) with respect to accounting for the cost of pension benefits and other employee future benefits. Under the new recommendations, the cost of other retirement benefits is accounted for using the accrual basis of accounting. Previously, these costs were charged to earnings on a "pay-as-you-go" basis. The new recommendations also require that the discount rate used to value pension obligations and current service costs be changed from an estimated long-term rate to a market interest rate. The adoption of these new recommendations led to an increase in the accrued benefit liability of $28.3 and a decrease in future income tax liabilities of $9.1 and retained earnings at the beginning of the year of $19.2.

The Company retroactively adopted, without restating prior period financial statements, the new recommendations of the CICA with respect to accounting for income taxes. Under the new recommendations, the Company uses the liability method to recognize and measure future income tax assets and liabilities. In the past, the Company used the deferral method of tax allocation. This change in accounting policy led to a decrease in future income tax liabilities and an increase in retained earnings at the beginning of the year of $7.8.

In 1999, the Company retroactively adopted the CICA recommendations with respect to the presentation of the cash flows statement. Under the new recommendations, cash and cash equivalents are redefined. As a result of applying these new recommendations, changes in bank indebtedness are presented with financing activities. Previously, bank indebtedness was included with cash resources.

3. Accounting policies

The consolidated financial statements are expressed in Canadian dollars and were prepared in accordance with Canadian generally accepted accounting principles, which differ from the generally accepted accounting principles used in the United States, as shown in Note 21.

Accounting estimates

The preparation of consolidated financial statements in accordance with generally accepted accounting principles in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the year. Actual results could differ from management's estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries, which are wholly-owned.

Foreign currency translation

Monetary assets and liabilities in foreign currency of the Canadian companies and the integrated foreign subsidiaries are translated into Canadian dollars at exchange rates in effect at the balance sheet date, whereas non-monetary assets and liabilities are translated at the exchange rates in effect at transaction dates. Revenues and expenses in foreign currency are translated at the average rate in effect during the year with the exception of depreciation, which is translated at the historical rate. Gains and losses resulting from the translation of foreign currency transactions are included in earnings. Moreover, unrealized exchange gains and losses relating to monetary items with a remaining life extending beyond one year after the balance sheet date are deferred and amortized over the remaining life of these monetary items.

3. Accounting policies (continued)

Derivative financial instruments

The Company, whose head office is in Montreal, operates internationally. Most of its customers are located in Canada and the United States.

The Company is exposed to substantial market risks as a result of foreign exchange rate fluctuations. To reduce these risks, it uses derivative financial instruments such as options (put options and collars), forward foreign exchange contracts and cross-currency interest rate swaps. It does not hold or issue any derivative financial instruments for commercial or speculative purposes. The derivative financial instruments are subject to the standard credit terms and conditions, financial controls and management and risk monitoring procedures. In management's opinion, none of the parties to the existing derivative financial instruments are expected to default on their obligations given that they are financial institutions with a high credit rating.

Unrealized gains and losses on currency options designated as hedges for the Company's future income in foreign currency are recognized on the option exercise date which is the same as the transaction date. Unrealized gains and losses on forward exchange contracts designated as hedges for the Company's future income in foreign currency are recognized at the contract maturity date. Hedged sales in foreign currency are recorded according to the terms of the hedge. Option premiums are amortized over the option term.

Payments and receipts under cross-currency interest rate swaps are recorded as an adjustment of financing expenses. Unrealized gains and losses on the translation of these swaps are deferred and amortized over the remaining term of the contract.

Cash and cash equivalents

The Company's policy is to present cash and temporary investments having a term of three months or less with cash and cash equivalents.

Inventory valuation

Inventories of raw materials and of operating and maintenance supplies are valued at the lower of average cost and replacement cost. Goods in process and finished goods are valued at the lower of average cost and net realizable value and include the cost of raw materials, direct labour and manufacturing overhead.

Property, timberlands, plant and equipment

Property, timberlands, plant and equipment are stated at cost net of government grants. Fixed assets are depreciated on a straight-line basis using rates based on the estimated useful lives of the assets as follows:

Timberlands	based on volumes of wood cut
Buildings	up to 40 years
Machinery and equipment	up to 20 years

Capitalized interest on property under construction is calculated at the end of each accounting period by applying the interest rate on the long-term debt financing these projects to the average cost of the property under construction.

Goodwill

Goodwill is amortized on a straight-line basis over 30 years. It is valued periodically, which consists in examining generated cash flows and the return on activities acquired as compared to the forecasts prepared upon acquisition. Any permanent reduction in the amortized value of goodwill is recognized and charged to earnings.

Long-term financing expenses

Financing expenses on long-term debt are amortized under the straight-line method over the term of the related debt.

Long-term investments

Long-term investments are accounted for at cost. Where there is a permanent loss in value of a long-term investment, the amount recorded is written down to recognize this loss in value in the statement of earnings .

3. Accounting policies (continued)

Pension plans and other retirement benefits

The Company has defined benefit pension plans and other retirement benefits for its Canadian and American employees.

The following accounting policies are applied in respect of these defined benefit plans:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and is charged to earnings as services are provided by the employees. The calculations take into account management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees, participants' mortality rates and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

Stock option plans

The Company has granted stock options as described in Note 16. No expense is recognized when stock options are granted. Any consideration received on exercise of stock options is credited to share capital.

4. Deferred gain

On February 10, 2000, the Company disposed of substantially all of its timberlands for a cash consideration of $432.5 (US$298.3). At the same time, the Company agreed to purchase from the buyer, at market value, approximately 70% of the anticipated wood production in the next five years, i.e., 4,000,000 tons, and 30% of the anticipated wood production in the following ten years, i.e. 4,900,000 tons. Accordingly, the Company has granted the buyer a guaranteed return on investment for at least the first five years of the supply contract and therefore recognizes the $193.9 gain on the disposal of the timberlands over the same period.

5. Disposal of a subsidiary

On January 28, 1999, the Company disposed of all of the shares of Enviro-Énergie Alliance inc. for an amount equal to their carrying amount, i.e. $76.0, of which $60.0 was cash and $16.0 was preferred shares with a cumulative dividend of 4% and redeemable at the issuer's option until 2002.

6. Unusual items

Gain on disposal of assets

On June 30, 2000, the Company disposed of the fixed assets relating to the manufacture of I-joists for a cash consideration of $15.8.

Write down of assets

During the second quarter, the Company recorded a $62.8 charge relating to the permanent closure at the end of 2001 of the deinking, mechanical pulp, thermo-mechanical pulp and hardwood pulp installations at Coosa Pines.

Notes to consolidated financial statements

As at December 31.

(In millions of Canadian dollars, unless otherwise indicated)

7. Income taxes

The Company's effective income tax rate is calculated as follows:

	2000	1999	1998
Combined basic Canadian rate	36.9%	36.9%	36.9%
Increase (decrease) in the tax rate for the following			
– Federal surtax and large corporations tax	6.2	(4.8)	4.1
– Tax credit for manufacturing and processing profits	(6.5)	(1.4)	(3.0)
– Amortization of the difference between the tax cost and the book value of the fixed assets acquired on May 12, 1994	—	6.2	(6.3)
– Income from American subsidiaries subject to different tax rates	2.3	(2.4)	0.2
– Reduction in capital gains inclusion rate	5.9	—	—
– Difference in tax rate on losses on the disposal of assets and foreign currency contracts	(7.6)	(0.4)	(3.6)
– Other	2.5	(1.0)	(1.3)
Effective tax rate	39.7%	33.1%	27.0%

The components of the Company's net deferred income tax assets (liabilities) are as follows:

	2000	1999
Short-term future income taxes		
Expenses deductible in future years	$10.7	$—
Long-term future income taxes		
Tax depreciation in excess of book depreciation	(139.9)	(86.7)
Pension expense relating to employee future benefits	36.0	25.2
Share issuance expenses	1.6	3.1
Expenses deductible in subsequent years	—	9.5
Minimum income tax of U.S. subsidiaries	45.6	3.7
Deferred gain	58.8	—
Other	1.4	3.4
	$14.2	$(41.8)

Cash payments for income taxes in 2000 amounted to $38.1 ($6.6 in 1999 and $11.5 in 1998).

8. Changes in working capital items

	2000	1999	1998
Accounts receivable	$(12.0)	$28.6	$(26.9)
Income taxes receivable	11.6	(6.9)	0.1
Inventories	6.0	9.4	(11.9)
Prepaid expenses	1.4	(2.2)	0.5
Accounts payable and accrued liabilities	(16.2)	22.7	13.2
	$(9.2)	$51.6	$(25.0)

9. Inventories

	2000	1999
Raw materials		
Logs	$46.9	$48.8
Chips and other	6.2	7.2
Operating and maintenance supplies	37.5	36.7
Goods in process	14.1	13.2
Finished goods	25.4	30.2
	$130.1	$136.1

(In millions of Canadian dollars, unless otherwise indicated)

10. Property, timberlands, plant and equipment

	2000		
	Cost	Accumulated depreciation	Net
Land	$6.2	$—	$6.2
Timberlands	10.8	1.3	9.5
Buildings	161.8	33.7	128.1
Machinery and equipment	1,348.5	299.7	1,048.8
Property under construction	64.9	—	64.9
	$1,592.2	$334.7	$1,257.5

	1999		
	Cost	Accumulated depreciation	Net
Land	$6.0	$—	$6.0
Timberlands	286.7	40.7	246.0
Buildings	122.8	28.3	94.5
Machinery and equipment	1,104.3	234.2	870.1
Property under construction	150.5	—	150.5
	$1,670.3	$303.2	$1,367.1

During the year, the Company capitalized $17.9 of interest ($4.1 in 1999 and $0 in 1998) to the cost of property under construction. Government assistance in the amount of $16.4 ($4.6 in 1999) has been credited to fixed assets.

11. Other assets

	2000	1999
Goodwill, at amortized cost	$39.8	$41.5
Foreign exchange loss (gain), at amortized cost	2.8	(3.1)
Long-term financing costs, at amortized cost	4.1	7.5
Preferred share investment (Note 5)	16.0	16.0
Future income tax assets	3.5	—
Other	3.6	9.4
	$69.8	$71.3

12. Bank indebtedness

As at December 31, 2000, bank indebtedness comprises solely outstanding cheques. As at December 31, 1999, bank indebtedness comprised a short-term loan of $47.0 bearing interest at a rate based on banker's acceptances plus 2.5% and outstanding cheques.

13. Trade and other accounts payable

	2000	1999
Accrued and trade accounts payable	$100.9	$114.0
Accounts payable relating to fixed assets	95.8	44.1
Salaries and vacation payable	25.2	24.4
Taxes and stumpage dues	4.4	8.3
	$226.3	$190.8

Notes to consolidated financial statements

As at December 31,

(In millions of Canadian dollars, unless otherwise indicated)

14. Long-term debt

	2000	1999
Credit facility at variable rates ranging from 7.34% to 7.46% (6.50% to 7.75%)	$314.3	$471.7
Note payable, without interest, payable in variable, consecutive annual instalments as of 2003, maturing in 2008	14.8	5.8
Other loans, rates ranging from 0% to 12.13%, maturing at various dates until 2004	1.3	7.3
	330.4	484.8
Current portion of long-term debt	54.9	48.2
	$275.5	$436.6

Credit facility

The credit facility, which amounts to $510.8 (or the U.S. dollar equivalent), matures in September 2003, comprises four components: a rotating term credit facility of $136.0 (or the U.S. dollar equivalent), a non-rotating term credit facility of $174.8 drawn in U.S. dollars, a rotating working capital credit facility of $180.0 (or the U.S. dollar equivalent) and a swing line credit facility of $20.0 (or the U.S. dollar equivalent).

Pursuant to a clause of the credit agreement, the credit facility is reduced following major disposal of fixed assets. In February 2000, the Company disposed of certain timberlands; accordingly, in February 2001, the authorized, renewable credit facility should be reduced to $42.0 (or the U.S. dollar equivalent).

The facility bears interest at rates based on banker's acceptances plus 0.5% to 1.5% or the prime rate plus 0% to 0.5% for amounts drawn in Canadian dollars and on LIBOR plus 0.5% to 1.5% or on the U.S. prime rate plus 0% to 0.5% for amounts drawn in U.S. dollars. The premiums are determined in accordance with the Company's financial leverage ratio, on a quarterly basis.

This credit facility is payable in quarterly instalments of varying amounts. It is secured by a movable and an immovable hypothec on the universality of the Company's property and that of its subsidiaries, and comprises certain covenants, notably regarding restrictions on the amount of fixed assets which may be acquired.

Under the terms of the credit facility, the Company is required to maintain certain ratios, in particular, a leverage ratio, a debt/equity ratio and a fixed charge coverage ratio. As well, it is required to maintain a minimum level of tangible net worth. As at December 31, 2000, the Company has complied with these requirements.

An amount of $67.2 of this credit facility is used for letters of credit.

At December 31, 2000, the unused balance of the credit facility amounts to $129.3.

Minimum payment requirements

Minimum payments requirements for the next five years amount to $54.9 in 2001, $111.4 in 2002, $150.6 in 2003 and $1.6 in 2004 and $1.5 in 2005.

Interest

In 2000, the interest cost relating to the long-term debt amounted to $8.2 ($29.5 in 1999 and $39.2 in 1998).

Total interest paid in cash, net of interest income and including interest capitalized to property under construction, amounted to $24.6 in 2000 ($31.8 in 1999 and $42.1 in 1998).

(In millions of Canadian dollars, unless otherwise indicated)

15. Accrued benefit liability

Pension plans and other retirement benefits

Alliance Forest Products Inc. has several pension plans for substantially all of its employees. Benefits under these plans are primarily based on years of service and highest average eligible earnings during any 60-month period. For the U.S. subsidiary, benefits under the plans are based primarily on years of service credited since March 27, 1997 and highest average eligible earnings during any 60-month period.

In Canada, the Company has group health, life and dental insurance plans for certain retired employees or their equivalents. In the United States, the Company has group health and life insurance plans for most of its retired employees or their equivalents.

Information relating to the various plans is as follows:

	Pension plans		Other plans	
	2000	1999	2000	1999
Accrued benefit obligations				
Balance, beginning of year	$148.0	$134.2	$45.1	$46.2
Effect of applying new recommendations (Note 2)	23.5	—	6.4	—
Current service cost	11.6	11.4	1.1	1.6
Interest cost	12.3	11.1	3.2	3.2
Benefits paid	(8.8)	(8.1)	(0.8)	(0.3)
Plan amendments	—	3.2	—	—
Plan curtailments	—	—	(0.7)	—
Actuarial losses (gains)	13.1	(2.9)	(7.0)	(3.0)
Foreign exchange rate adjustment	1.0	(0.9)	1.7	(2.6)
Balance, end of year	$200.7	$148.0	$49.0	$45.1
Plan assets				
Balance, beginning of year	$130.8	$113.7	$—	$—
Effect of applying new recommendations (Note 2)	1.6	—	—	—
Actual return on plan assets	6.5	10.3	—	—
Employer contributions	11.1	12.7	—	—
Employee contributions	2.7	2.6	—	—
Benefits paid	(8.8)	(8.1)	—	—
Foreign exchange rate adjustment	0.6	(0.4)	—	—
Balance, end of year	$144.5	$130.8	$—	$—
Funded status – deficit	$56.2	$17.2	$49.0	$45.1
Unamortized past service costs	—	(5.1)	—	—
Unamortized net actuarial loss (gain)	(19.6)	3.6	5.4	10.9
Accrued benefit liability	$36.6	$15.7	$54.4	$56.0

(In millions of Canadian dollars, unless otherwise indicated)

15. Accrued benefit liability (continued)

Accrued benefit liability expense

	Pension plans			Other plans		
	2000	1999	1998	2000	1999	1998
Current service cost	$8.9	$9.2	$8.6	$1.1	$1.6	$1.9
Interest cost	12.3	11.0	9.2	3.2	3.2	3.4
Expected return on plan assets	(8.7)	(9.7)	(8.6)	—	—	—
Amortization of past service costs	—	—	(0.3)	(2.3)	—	—
Pension expense for the year	$12.5	$10.5	$8.9	$2.0	$4.8	$5.3

For 2000 and 1999, the significant assumptions which management considers to be the most likely used to measure its accrued benefit obligations are as follows (weighted average assumptions, as at December 31):

	Pension plans			Other plans		
	2000	1999	1998	2000	1999	1998
Canadian plans						
Discount rate	6.75%	8.5%	8.5%	6.75%	—	—
Expected rate of return on plan assets	8.5%	8.5%	8.5%	—	—	—
Rate of compensation increase (average)	3.0%	2.0%	4.0%	3.0%	—	—

For valuation purposes, the assumed annual rate of growth in health care costs covered per person was set at 10.0% in 2001. Based on the assumption used, this rate should decrease by 0.5% annually to 4.5% and remain at that level thereafter.

	Pension plans			Other plans		
	2000	1999	1998	2000	1999	1998
U.S. plans						
Discount rate	7.5%	7.75%	7.75%	7.5%	7.5%	7.25%
Expected rate of return on plan assets	8.75%	8.75%	8.75%	—	—	—
Rate of compensation increase (average)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

For valuation purposes, the assumed annual rate of growth in health care costs covered per person was set at 6.0% in 2001 (7.0% in 2000 and 7.0% in 1999). Based on the assumption used, this rate should decrease annually to 5.5% and remain at that level thereafter.

(In millions of Canadian dollars, unless otherwise indicated)

16. Capital stock

Authorized

Unlimited number of shares without nominal or par value
Common shares
First preferred shares
Second preferred shares

Issued

Common shares

	2000		1999		1998	
	Number of shares	Total	Number of shares	Total	Number of shares	Total
Outstanding, beginning of year	35,202,751	$708.1	38,176,267	$768.3	38,441,824	$773.7
Shares issued under the share purchase plan	112,848	1.9	72,335	1.1	32,943	0.6
Share redemption	(5,076,142)	(102.0)	(3,045,851)	(61.3)	(298,500)	(6.0)
Outstanding, end of year	30,239,457	$608.0	35,202,751	$708.1	38,176,267	$768.3

During 2000, the Company redeemed and cancelled 5,076,142 common shares (3,045,851 in 1999 and 298,500 in 1998) for $100.6 ($50.3 in 1999 and $4.7 in 1998). The discount on the redemption of shares amounted to $1.4 in 2000 ($11.0 in 1999) was charged to the contributed surplus.

Earnings per share are calculated using the weighted average number of common shares outstanding during the year, which amounted to 31,222,434 shares in 2000 (36,606,565 in 1999 and 38,359,552 in 1998).

On April 20, 2000, the shareholders approved the shareholder rights protection plan adopted by the Company. In the event that a person or group announces his, her or its intention to acquire or acquires 20% or more of the Company's common shares, without first making an offer in accordance with certain criteria or obtaining approval from the Board of Directors while the subscription rights system is in effect, subscription rights will be issued. Each right confers on its holder the right to acquire common shares of the Company for an amount equivalent to 50% of market value. The threat of a significant dilution should therefore result in changes to the offer so that it complies with certain criteria or should encourage negotiations with the Board of Directors.

Officers' stock option plan

The Company has a stock option plan for certain officers. These options generally expire ten years after they are granted and can be exercised immediately or progressively three or four years after they are granted.

	2000		1999		1998	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	2,570,470	$20.32	2,515,303	$20.42	1,306,652	$24.60
Granted	146,601	17.71	68,784	15.89	1,243,759	16.03
Cancelled	(147,603)	20.69	(13,617)	17.00	(35,108)	21.06
Outstanding, end of year	2,569,468	$20.17	2,570,470	$20.32	2,515,303	$20.42

(In millions of Canadian dollars, unless otherwise indicated)

16. Capital stock (continued)

The following table summarizes information about the stock options outstanding at December 31, 2000:

	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of exercisable options	Weighted average exercise price
Range of exercise prices					
$14.00 – $19.99	1,463,928	7.03	$15.41	939,995	$15.28
$20.00 – $24.99	366,218	3.15	23.73	347,616	23.75
$25.00 – $29.99	705,226	3.29	27.51	698,643	27.50
$30.00 – $35.00	34,096	6.09	34.06	19,548	33.92
	2,569,468			2,005,802	

Employee share purchase plan

Since February 15, 1995, under the employee share purchase plan, all employees are eligible to purchase shares at a price of 90% of the quoted market value. Shares purchased under the plan are subject to a mandatory twelve–month holding period, twenty–four–month in the United States. Employees who hold the shares purchased in any calendar year until June 30 of the following year are entitled to receive a Company contribution equivalent to 15% of the employee's contribution used to purchase the shares. This Company contribution is used to purchase additional shares at the market price on June 30. As at December 31, 2000, 1,700,000 common shares (1,700,000 in 1999 and 1998) were authorized for issuance under the plans. During the year, 112,848 common shares (72,335 in 1999 and 32,943 in 1998) were issued under the plan at an average price of $16.84 per share ($15.21 in 1999 and $18.21 in 1998). Since its inception, 281,632 shares have been issued under this plan.

17. Commitments

Supply agreements and leases

The Company has entered into various agreements, primarily for supply agreements, expiring on different dates up to 2034, that call for total payments of $300.5. Minimum payments for the next five years amount to $16.6 in 2001, $16.4 in 2002, $15.7 in 2003, $14.8 in 2004 and $14.0 in 2005. Moreover, following the sale of timberlands in Alabama, the Company signed a fifteen–year contract providing it with a stable supply of fiber at market price. This contract ensures a minimum supply of 42% of the Coosa Pines' requirements in virgin fiber for the term of the contract.

Commitments for capital expenditures

In connection with its capital expenditures program, the Company has undertaken, under various contracts, to pay an amount of approximately $143.9 primarily to complete construction of its recycled pulp plant at the Coosa Pines complex.

Environment

The Company intends to comply with environmental regulations in the United States (Cluster Rules), as planned at the time of the acquisition of Coosa Pines in 1997. The Company estimates that it has cost approximately $101.3 to conform the current Coosa Pines installations to the American standards, including $12.8 from now until December 2001.

(In millions of Canadian dollars, unless otherwise indicated)

18. Financial instruments

Fair value of financial instruments

The fair value of the short-term investment, trade accounts receivable, bank indebtedness and accrued and trade accounts payable is comparable to their carrying amount given their relative short term to maturity.

The fair value of the investment in preferred shares and the note payable has not been determined because it is practically impossible to find financial instruments on the market with essentially the same economic characteristics.

The fair value of the credit facility is equivalent to its carrying amount since it bears interest at variable rates.

The fair value of the various derivative financial instruments is determined using market parameters.

The following table presents the fair value and the term of the Company's derivative financial instruments:

	2000					
	Reference amount					
	0 to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total	Fair value CAN$
Put options in U.S. dollars purchased	US$137.1	US$136.0	US$113.0	—	US$386.1	1.2
Call options in U.S. dollars sold	113.1	91.0	69.0	—	273.1	(5.4)

	1999					
	Reference amount					
	0 to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	Total	Fair value CAN$
Put options in U.S. dollars purchased	US$166.0	US$136.0	US$109.0	US$24.0	US$435.0	5.8
Call options in U.S. dollars sold	183.0	112.0	80.0	24.0	399.0	(7.5)
Cross-currency interest rate swaps	—	—	—	160.0	160.0	3.8

The fair value represents exchange gains or losses which would have been realized if the Company had sold all of its derivative financial instruments at December 31 each year, which is not the case.

19. Contingencies

Claims and lawsuits have been filed against the Company in the normal course of its operations. In management's opinion, there is generally adequate insurance coverage for these claims and lawsuits. In cases where coverage is inadequate, the outcome of the claims or lawsuits is not expected to substantially affect the Company's financial position.

Notes to consolidated financial statements

As at December 31,

(In millions of Canadian dollars, unless otherwise indicated)

20. Segmented information

The Company has defined its segments based on its organizational structure. The paper segment includes newsprint and uncoated groundwood specialty paper, the pulp segment includes fluff pulp and SBHK pulp while the lumber segment also includes treated wood and joists.

By industry segment	Paper			Pulp			Lumber		
	2000	1999	1998	2000	1999	1998	2000	1999	1998
Sales[a]	$615.6	$536.1	$622.0	$235.2	$182.1	$176.0	$234.3	$334.5	$287.1
Depreciation, amortization and depletion	49.3	50.5	47.8	13.2	12.3	9.6	14.8	25.7	29.3
Amortization of deferred gain	—	—	—	—	—	—	(34.4)	—	—
Operating income (loss)	33.9	(19.6)	79.3	51.1	(4.9)	(16.9)	13.5	36.0	33.3
Capital expenditures	145.2	84.3	65.6	58.9	17.1	27.8	19.2	18.4	17.9
Assets	998.1	1,037.5	1,035.8	285.8	389.1	424.2	248.8	263.4	248.6

	Head office			Consolidated		
	2000	1999	1998	2000	1999	1998
Sales[a]	$—	$—	$—	$1,085.1	$1,052.7	$1,085.1
Depreciation, amortization and depletion	1.4	0.9	0.6	78.7	89.4	87.3
Amortization of deferred gain	—	—	—	(34.4)	—	—
Operating income (loss)	—	—	—	98.5	11.5	95.7
Capital expenditures	1.7	0.8	3.1	225.0	120.6	114.4
Assets	95.2	44.4	63.2	1,627.9	1,734.4	1,771.8

Note: Operating income from lumber as at December 31, 2000 includes a deferred gain of $34.4.

(a) In 2000, transactions with one customer in the pulp segment represent 18.3% of sales (14.7% in 1999 and 15.8% in 1998). This same customer represents 24.3% of the Company's total accounts receivable (28.0% in 1999).

Shipments	2000	1999	1998
Newsprint and uncoated groundwood specialty paper[1]	783,693	774,377	742,627
Market pulp[1]	264,295	271,398	265,912
Wood products[2]	589,417	662,338	602,264

(1) Metric tons

(2) Thousands of foot board measures

By geographic segments	2000	1999	1998
Sales			
Canada			
Canadian customers	$131.2	$121.8	$119.9
American customers	398.5	388.9	399.9
Overseas customers	5.2	9.7	2.2
	$534.9	$520.4	$522.0
United States			
Canadian customers	$—	$6.3	$11.8
American customers	483.5	483.4	490.2
Overseas customers	66.7	42.6	61.1
	550.2	532.3	563.1
Total	$1,085.1	$1,052.7	$1,085.1

(In millions of Canadian dollars, unless otherwise indicated)

20. Segmented information (continued)

By geographic segments	2000	1999	1998
Operating income			
Canada	$9.6	$9.1	$54.6
United States	88.9	2.4	41.1
	$98.5	$11.5	$95.7

	2000	1999	1998
Assets			
Fixed assets			
Canada	$659.3	$527.9	$516.8
United States	598.2	839.2	852.9
	$1,257.5	$1,367.1	$1,369.7
Goodwill			
Canada	$39.8	$41.5	$41.0

21. Comparison of Canadian and United States generally accepted accounting principles

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). In certain respects, Canadian GAAP differ from United States generally accepted accounting principles (U.S. GAAP).

The following summary sets out the material adjustments to the Company's net earnings (loss), which would be made in order to conform with U.S. GAAP:

	2000	1999	1998
Net earnings adjustments			
Net earning (loss) in accordance with Canadian GAAP	$21.3	$(16.2)	$25.9
Add (deduct)			
Unrealized exchange gains (losses)[a]	(5.9)	33.9	(17.8)
Unrealized exchange gains (losses) on foreign currency hedges[b]	(2.5)	61.4	(31.5)
Postretirement benefits other than pensions[c]	—	(0.3)	(0.2)
Pension costs[d]	(1.0)	(4.7)	(2.2)
Income taxes on previous adjustments	2.3	(30.7)	17.3
Income taxes related to May 12, 1994 acquisition[e]	—	(1.6)	(2.2)
Net earning (loss) in accordance with U.S. GAAP	$14.2	$41.8	$(10.7)
Net earning (loss) per common share in accordance with U.S. GAAP	$0.46	$1.14	$(0.28)

The following summary sets out the material differences in the Company's balance sheet under Canadian and United States generally accepted accounting principles:

		2000	
	Canadian GAAP	Adjustments	U.S. GAAP
Balance sheet components			
Other assets[a]	$69.8	$(9.8)	$60.0
Trade and other accounts payable[b]	226.3	4.2	230.5
Accrued benefit liability[c][d]	91.0	(28.6)	62.4
Shareholders' equity[a][b][d][e]	803.6	14.6	818.2

		1999	
	Canadian GAAP	Adjustments	U.S. GAAP
Balance sheet components			
Other assets[a]	$71.3	$(0.4)	$70.9
Trade and other accounts payable[b]	190.8	1.7	192.5
Accrued benefit liability[c][d]	71.7	(1.3)	70.4
Future income taxes[e]	41.8	(9.3)	32.5
Shareholders' equity[a][b][c][d][e]	892.4	8.5	900.9

21. Comparison of Canadian and United States generally accepted accounting principles (continued)

(a) Unrealized exchange gains and losses attributable to the translation of long-term debt in a foreign currency and cross-currency interest rate swaps, at rates in effect at the balance sheet date, are deferred and amortized over the remaining life of these financial instruments. Under U.S. GAAP, these gains and losses are charged to earnings.

(b) Under Canadian GAAP, unrealized exchange gains and losses on long-term derivative financial instruments designated to hedge future income are recognized when the contracts expire. Under U.S. GAAP, such gains and losses are charged to earnings as though the Company had realized these contracts at year-end.

(c) Under Canadian GAAP, in 1999 and 1998, certain postretirement benefits other than pensions were accounted for on a "pay-as-you-go" basis. Under U.S. GAAP, these postretirement benefits are accounted for on an accrual basis. On January 1, 2000, the Company adopted the accrual basis under Canadian GAAP.

(d) Under U.S. GAAP, the rate used for discounting pension benefit obligations is the rate which reflects the market rate. The rate used under Canadian GAAP is based on management's best estimate of the future return on the plan assets over the expected duration of the plan, except for the discount rate used as of January 1, 2000, which, under the new CICA recommendations, is the market rate. The remaining difference between the figures presented under Canadian GAAP and those presented under U.S. GAAP results from the method used to apply the standards in Canada.

(e) On May 12, 1994, the Company acquired Domtar Inc. newsprint, uncoated groundwood paper and related lumber operations. The tax values of the assets and liabilities acquired were different from the book value. Before January 1, 2000, under Canadian GAAP, no future income tax was recorded with respect to this difference. Under U.S. GAAP, a deferred tax asset of $32.0 was recorded initially and subsequently reduced through amortization. Following application of the new recommendations as of January 1, 2000, there is no longer a difference in the accounting treatment under Canadian and U.S. GAAP.

(f) Under Canadian GAAP, share issuance expenses are charged directly to retained earnings. Under U.S. GAAP, these expenses are deducted from the related proceeds, with the net proceeds being recorded in the capital stock account.

(g) Under U.S. GAAP, the Company has elected to continue to measure compensation costs related to awards of stock options using the intrinsic value-based method of accounting. In this instance, however, under Statement of Financial Accounting Standards (SFAS) No. 123 "Accounting for Stock-Based Compensation", the Company is required to make pro forma disclosures of net earnings and net earnings per share as if the fair-value-based method of accounting had been applied. The fair value of options granted was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 6.5% (5.1% in 1999 and 5.3% in 1998), expected life of six years for the three years and volatility of 40.0% (30.0% in 1999 and 34.0% in 1998).

Accordingly, the Company's net earnings and net earnings per share for the year ended December 31, 2000 would have been decreased, on a pro-forma basis, by $3.3 and $0.11 respectively (decrease of net earnings and net earnings per share of $4.7 and $0.13 respectively for 1999 and increase of net loss and net loss per share of $5.6 and $0.14 respectively for 1998). The weighted average fair value of options granted in 2000 was $8.89 ($6.51 in 1999 and $6.95 in 1998).

(h) Under Canadian GAAP, distribution costs, which include freight, commissions and discounts, are deducted from revenues in arriving at the net sales. Under U.S. GAAP, commissions and freight costs should not be presented as deductions from sales but rather should be treated as operating expenses. If this presentation had been adopted, net sales and operating expenses would have increased by $102.0 in 2000 ($96.5 in 1999 and $97.9 in 1998). This difference in presentation would have had no effect on operating income and net earnings.

(i) The FASB has issued SFAS No. 133 "Accounting for Derivative Instruments for Hedging Activities", which is effective for the fiscal years beginning after June 15, 2000. The Company has not yet determined the possible repercussions of this new standard.

Financial retrospective

For years ended December 31 [1]

(Unaudited)

(in millions of dollars except amounts per share and statistics)

	2000	1999	1998	1997	1996	1995
Data related to statements of earnings						
Net sales						
Paper	$615.6	$536.1	$622.0	$441.2	$257.2	$287.8
Pulp	235.2	182.1	176.0	122.8	—	—
Lumber	234.3	334.5	287.1	259.3	166.8	114.2
	1,085.1	1,052.7	1,085.1	823.3	424.0	402.0
Operating costs and expenses						
Cost of goods sold	910.6	914.0	864.2	678.3	298.4	253.7
Selling, general and administrative expenses	31.7	37.8	37.9	25.4	21.4	21.4
Depreciation, amortization and depletion	78.7	89.4	87.3	60.8	22.2	16.4
Amortization of the deferred gain	(34.4)	—	—	—	—	—
	986.6	1,041.2	989.4	764.5	342.0	291.5
Operating income (loss)						
Paper	33.9	(19.6)	79.3	22.8	51.7	99.2
Pulp	51.1	(4.9)	(16.9)	(4.5)	—	—
Lumber	13.5	36.0	33.3	40.5	30.6	12.0
Head office	—	—	—	—	(0.3)	(0.7)
	98.5	11.5	95.7	58.8	82.0	110.5
Net financing expenses (revenues)	11.4	35.7	60.2	20.6	1.5	(0.7)
Net earnings (loss) before unusual items	53.1	(16.2)	25.9	26.5	56.0	81.2
Unusual items net of income taxes	(31.8)	—	—	—	—	—
Net earnings (loss)	21.3	(16.2)	25.9	26.5	56.0	81.2
Net earnings (loss) per common share	0.68	(0.44)	0.68	0.79	3.21	4.56
Net earnings (loss) per common share before unusual items	1.70	(0.44)	0.68	0.79	3.21	4.56
Shares outstanding, end of year (in thousands)	30,239	35,203	38,176	38,442	17,422	17,504
Data related to statements of cash flows						
Working capital provided by operations	94.7	71.2	155.1	104.9	96.5	107.7
Changes in working capital items	(9.2)	51.6	(25.0)	(31.3)	(21.1)	(4.6)
Disposition (acquisition) of commercial activities	443.7	60.0	—	(837.8)	—	(77.0)
Acquisition of fixed assets	225.0	120.6	114.4	214.1	157.1	49.1
Increase (reduction) of long-term debt	(167.7)	(44.2)	13.6	457.8	28.0	(0.2)
Issue of common shares	1.9	1.1	0.6	550.0	0.5	0.3
Redemption of shares	(100.6)	(50.3)	(4.7)	—	(2.4)	(9.2)
Increase (decrease) in cash and cash equivalents	0.7	5.8	—	—	(33.0)	(36.7)
Data related to balance sheet (at December 31)						
Current assets	300.6	296.0	312.4	274.2	144.1	138.0
Capital assets	1,257.5	1,367.1	1,369.7	1,346.7	365.6	229.3
Total assets	1,627.9	1,734.4	1,771.8	1,688.9	552.8	411.8
Current liabilities	298.3	291.9	177.3	200.5	115.5	80.6
Long-term debt	275.5	436.6	516.7	455.9	40.8	11.4
Shareholders' equity	803.6	892.4	957.8	936.0	350.6	296.5
Book value per common share (in dollars)	26.57	25.35	25.09	24.35	20.12	16.94
Production statistics						
Newsprint (thousands of tonnes)	443	455	416	381	184	194
Uncoated groundwood paper (thousands of tonnes)	199	227	222	201	132	134
Soft-nip calendered paper (thousands of tonnes)	142	95	107	20	—	—
Market pulp (thousands of tonnes)	263	262	259	192	—	—
Lumber (millions of fbm)	618	656	646	579	487	353
Treated lumber (millions of fbm)	26	25	21	32	25	11
I-joists (millions of linear feet)	14	24	16	9	—	—

(1) For years prior to 1997, numbers have not been adjusted to new accounting principles implemented in 1999.

Board of Directors

Robert Després, O.C. [1,2,3,4]
Chairman of the Board, Alliance Forest Products Inc. (Quebec City)

Marc-André Bédard [1,4]
Partner, Gauthier Bédard (Chicoutimi)

Gaston Blackburn [1,4]
President, G. Blackburn inc. (Roberval)

Robert Darbelnet [2]
President and Chief Executive Officer, American Automobile Association (Orlando, Fla.)

Claire Derome [1]
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Michel Gervais, O.C., O.Q., [2,4]
General Manager, Centre hospitalier Robert-Giffard (Quebec City)

André Laurin [3]
Associate, Lavery, De Billy (Montreal)

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Deputy Chairman, BMO Nesbitt Burns (Montreal)

Pierre Monahan
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Robert Tessier [2,3]
President and Chief Executive Officer, Gaz Métropolitain (Montreal)

Jeanne Wojas [1]
Lawyer and Corporate Director, (Montreal)

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2 Member of the Executive Compensation Committee
3 Member of the Nomination and Corporate Governance Committee
4 Member of the Pension Management Committee

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Pierre Monahan
President and Chief Executive Officer

Daniel Tardif, CA
Senior Vice-President and Chief Financial Officer

Georges Cabana
Senior Vice-President, Human Resources and Public Affairs

Serge Leduc
Vice-President, Information Technology

Jean Vézina, CMA
Vice-President Controller

Martin Longpré
Corporate Secretary and Legal Counsel

Technology and Environment

Jean-Guy Sauvageau
Vice-President, Technology and Environment

Serge Beaulieu
Manager, Manufacturing Processes

Pierre Lemay
Manager, Major Capital Projects

Jacques Perrault
Technical Manager, Paper Machines

Paper

Gérard Renaud
Vice-President, Operations, Pulp and Paper

Kevin B. Wassil
Senior Vice-President, Sales and Marketing, Paper Products

John Palmieri
Vice-President, Sales, U.S. Newspaper Publishers

Daniel Laberge
General Manager, Dolbeau Mill

Jean-Marc Simard
General Manager, Donnacona Mill

Robert Snyder
General Manager, Paper Business Unit, Coosa Pines

Charles W. Neilson
Manager, Marketing and Sales Support

Marc Sasseville
Manager, Logistics and Product Development

Pulp

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Vice-President, Pulp Sales

Davis Worley
General Manager, Market Pulp Business Unit, Coosa Pines

Lumber

Jean-Sylvain Lebel
Vice-President, Sawmills and Woodlands

Jean-Guy Gravelle
Vice-President, Sales and Marketing, Wood Products

Gaétan Auger
General Manager, Woodlands and Sawmills, Lac-Saint-Jean

Pierre E. Côté
Chief Forester

Richard Glasgow
General Manager, Wood Business Unit, Coosa Pines

Réal Provencher
General Manager, Woodlands and Sawmills, Eastern Quebec and New Brunswick

Information for shareholders and investors

Annual meeting
The Annual General Meeting for shareholders will be held in Montreal, in the Grand Salon of the Wyndham Hotel, on Wednesday, April 18, 2001, at 11:00 a.m.

Stock exchange listings
Alliance Forest Products Inc. common shares are listed on the Toronto Stock Exchange under the symbol ALP and on the New York Stock Exchange under the symbol PFA.

Alliance Forest Products Inc. is one of the TSE 300 companies.

Transfer agent and registrar
Canada: Montreal Trust Company
United States: Equiserve

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